

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(90)204 final

Brussels, 22 June 1990

**THIRTEENTH ANNUAL REPORT FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

on

**THE IMPLEMENTATION OF FINANCIAL AND TECHNICAL CO-OPERATION
TO DEVELOPING COUNTRIES OF ASIA AND LATIN AMERICA
AS OF 31 DECEMBER 1989**

THIRTEENTH ANNUAL REPORT ON THE IMPLEMENTATION
OF FINANCIAL AND TECHNICAL CO-OPERATION TO ASIA AND LATIN AMERICA

	<u>Page</u>
Chapter 1. Introduction.....	4
Origin, Objectives and Procedures of Aid to Asian and Latin American (ALA) Developing Countries and Structure of this Report.....	4
Chapter 2. The 1989 Financial and Technical Co-operation Programme...7	7
Funds Available.....	7
Projects for Which Funds Have Been Committed.....	8
Geographical Breakdown of Projects.....	12
Sectoral Breakdown of Projects.....	13
Chapter 3. Cumulative Assistance 1976 to 1989.....	13
Commitments and Their Payments.....	14
Commitments by Beneficiary Country.....	18
Payment Appropriations and Their Utilisation.....	20
The Effect of Commodity Aid on Overall Payments.....	20
Projects Completed in 1989.....	20
Studies Carried out During 1989.....	21
Chapter 4. Evaluation Ex-post of Completed Projects.....	21
Background.....	22
Evaluation of Financial and Technical Co-operation.....	24
Overall Observations Made by the Evaluators.....	25
Chapter 5. Two Case Studies.....	25
Monetary Integration in Central America.....	28
Protection of the Environment in India.....	28

Tables

1. Commitment Appropriations and Actual Commitments for the 1989 Programme.....	7
2. 1989 Programme - Actual Commitments by Project and Recipient.....	9
3. Programme Commitments by Region: 1976-88 and 1989.....	11
4. Sectoral Structure of EC 1989 Programme Commitments	12
5. Commitment Appropriations, Actual Commitments and Their Liquidation Through Payments, 1976-1989 and 1989 by Calendar Year.....	13
6. Breakdown of Actual Commitments by Recipient, 1976-1989.....	15
7. Payment Appropriations and Their Utilisation Through Payments, by Calendar Year: 1977-1989.....	19

Annexes

	<u>Page</u>
I. Council Regulation (EEC) N° 442/81 of 17 February 1981	30
II. Council Decision of 19 December 1988 determining the General Guidelines for 1989 concerning ALA Financial and Technical Co-operation	34
III. The 1989 Programme: Descriptive Summaries of Selected Projects.....	40
IV. ALA Technical and Financial Cooperation - Schedule of Payments of Commitments by Calendar Year (1977 - 1989).....	54
V. List of Standard Projects Completed in 1989.....	56
VI. Short-term Studies Carried Out During 1989.....	59
VII. Summary of Basic Characteristics of Evaluated Projects.....	61

Chapter 1: INTRODUCTION

Origin, Objectives and Procedures of Aid To Asian and Latin American (ALA) Developing Countries and Structure of this Report

- 1.1 The European Economic Community's financial and technical co-operation with the Asian and Latin American (ALA) developing countries is carried out under Title 93 of the General Budget of the European Communities. The fundamental objectives of this financial and technical co-operation to ALA developing countries were laid down in Council Regulation (EEC) N° 442/81 of 17 February 1981 (1), which established the general framework and principles governing EEC operations in this field. The relevant appropriations are intended to cover the following measures:
- a) rural development operations (mainly food-related) in Asia and Latin American developing countries, particularly the poorest of those countries;
 - b) as a subsidiary form of action, participation in favour of possible regional co-operation may be considered; and
 - c) some of the assistance shall be earmarked for measures intended as a response to exceptional circumstances, in particular reconstruction projects in the wake of disasters.
- 1.2 The assistance is provided in the form of grants and may cover imports as well as local expenditures. The projects may be financed autonomously by the EEC or co-financed with the EEC Member States or international bodies. As a rule, part of each project is financed by the country receiving the assistance (national contribution).
- 1.3 The procedures stipulate that the Commission must inform the Council and the European Parliament on how the programme is being managed. This report (the thirteenth of its kind) is in response to that requirement.
- 1.4 The procedures for the adoption of development operations (projects and programmes) are also laid down in the aforementioned Regulation (EEC) N° 442/81. Beginning with the 1981 programme (when the current procedures were introduced), the financing decisions adopted each year come within the scope of a Council decision adopted annually, which lays down the general guidelines for the coming year (2).

(1) See Annex I for the full text of this Council Regulation.

(2) See Annex II for the Council Decision of 19 December 1988.

The Guidelines, which are based on the contents of Regulation EEC N° 442/81, elaborate upon the objectives and priorities of the assistance, its geographical breakdown, its method of implementation and a number of special provisions.

1.5 The re-affirmations or salient changes set out by the Council in December 1988 to the Guidelines applicable for calendar year 1989 are the following:

- a) re-affirmation of the Community's support to economic growth and democratic processes in Central America;
- b) split in the regular budget to show independent entries for Latin America (33% of all funds) and Asia (67%); and
- c) special support to be given to small- and medium-scale industries and their partnerships with European counterparts.

1.6 The financing decisions for the various projects are taken by the Commission after it has received the opinion of a financing committee composed of representatives of the Member States and chaired by the Commission. This committee meets several times a year, enabling it to examine projects in batches as and when they are ready. In 1989, the committee met eight times on ALA aid decisions.

1.7 The EEC's financial and technical cooperation with the ALA developing countries began in 1976, with appropriations totalling 20 million Units of Account (3). The annual amount earmarked for this purpose has since risen steadily, to stabilise to about ECU 248 million in 1988. The appropriations increased to ECU 283 million in 1989.

1.8 These funds have been used to finance development activities and projects in 34 Asian, Latin American and African countries (4). In addition, they have provided assistance to 15 regional institutions and organizations run by or operating in those countries, and to five international agricultural research bodies.

1.9 The Parliament and Council requested the Commission in 1988 and in 1989 to prepare an overall assesment of the ALA programme of financial and technical cooperation to form the basis for comprehensive set of new guidelines which would guide the
during the decade of the 1990s.

(3) In this report, the amounts are expressed in current ECUs.

(4) Several African countries received this type of aid until they were integrated into the ACP group in 1984, as well as to three Middle Eastern countries or territories.

- 1.10 During 1989 the Commission issued several documents. A report covering the development cooperation with the developing countries of Asia and Latin America (SEC (89) 713) of 10 May 1989 summarized and provided data and results covering such cooperation between 1976 and 1988. The report was complemented with a Statistical Supplement covering the Community's co-operation during 1988 (SEC (89) 842) of 17 May 1989, which became the 12th Annual Report from the Commission to the Council and the European Parliament. A Commission's working document on the evaluation ex-post of several projects in ALA countries (CAB/X/42/89) was issued on 1 August 1989. This working document is detailed further in Chapter 4. A Statistical Volume showing aid data between 1976 and 1988, broken by country and Community instruments, was issued in May 1989.
- 1.11 Chapter 2 describes the content and modality of the 1989 financial and technical co-operation, and clasifies the co-operation by geographical regions and by sectors of investment. Chapter 3 describes and analyses the same co-operation for the cumulative period 1976-1989. Chapter 4 provides a background to the activity of evaluating ex-post ALA co-operation and summarises some observations made by the Evaluators of such aid. Chapter 5 summarises two sets of operations approved in 1989 and which have some novel features. The annexes contain the statistical data supporting the main text of this report.

Chapter 2 : THE 1989 FINANCIAL AND TECHNICAL CO-OPERATION PROGRAMME

Funds Available

- 2.1 The budget authorities approved appropriations in the sum of ECU 283 million for the 1989 financial and technical co-operation programme for the developing countries of Asia and Latin America (ALA) under entries 9300 and 9310 of the budget.(5) Table 1 shows the budget appropriations by regions and the commitments as of end 1989. In nominal terms, 1989 budget appropriations, before carry overs, were 14% higher than those of 1988 (ECU 248 million).
- 2.2 Total commitments in 1989 of ECU 283 million absorbed 100% of the budgetary appropriations for that year. In Table 1 are shown the appropriations and actual commitments reached in 1989, broken down by regions and major types of expenditures. The actual commitments during 1989 fell within the Guidelines set out by the Council Decision of 19 December 1988 (3% for agricultural research, 1.8% for the management of the 1989 programme). These Guidelines allowed for a 3% of total appropriations to be

Table 1 Commitment Appropriations and Actual Commitments for the 1989 Programme (ECU million)

CONCEPT	LATIN AMERICA (9310)	ASIA (9300)	TOTAL
Commitment Appropriations in 1989	92.00	191.00	283.00
Actual Commitments in 1989 (5)			
a) Agricultural Research	2.76	5.74	8.50
b) Programme Management	1.60	3.40	5.00
c) Projects and Programmes	87.63	181.86	269.49
Total 1989 Actual Commitments	91.99	191.00	282.99

(5) The budget approved for 1989 shows a carryover of ECU 10.4 million. This was caused by a delayed accounting of one project in the Philippines, approved in 1988 and reported in the Annual Report for 1988 (SEC (89) 842 of 17 May 1989).

committed for international agricultural research and 2% for the management of the aid programme. The Guidelines further required that of the financial and technical cooperation, 33% would be allocated to Latin America and 67% to Asia. Projects or programmes for disaster relief amounted to ECU 19.7 million or 7% of total aid. The Guidelines for 1989 allowed for a maximum of 10% as reserve for disaster relief operations.

Projects for Which Funds Have Been Committed

- 2.3 The number of projects approved in 1989 is 24 with a volume of commitments of 283 million ECU (compared with 28 projects approved in 1988 with a volume of commitments of ECU 248 million). The list of approved projects is shown in Table 2, together with EC financing and total costs. Two of the 24 projects provide top-up financing for ongoing projects faced with some cost over-runs (micro-projects of rural development in Cuzco and a disaster relief operation in Mexico).
- 2.4 Excluding disaster relief and supplementary operations for projects, the average EC contribution per project approved increased from ECU 10 million in 1988 to ECU 12.9 million in 1989 (or an increase of 29%). The overall EC commitments of ECU 283 million generated an additional ECU 423 million of local counterpart financing (public and private) and ECU 24 million of co-financing from Member States.

Geographical Breakdown of Projects

- 2.5 Table 3 shows the breakdown of commitments for the 1989 programme by region and sub-region, as well as by project type (normal and disaster/relief). Setting aside agricultural research operations, Asian projects (normal and disaster/relief) totalled 182 million ECU in 1989 (or 65% of the 278 million ECU available); Latin American projects totalled 96 million ECU (or 35%).
- 2.6 In Asia, the 1989 appropriations were committed for "standard" or "normal" projects in six different countries - three in South Asia (63% of total commitments in the region) and three in South-East Asia (37%).
- 2.7 In Latin America, commitments for standard projects covered four countries and four regional institutions, 32% going to South America and 68% to Central America and Hispaniola. More than three fourths of commitments to the sub-region went to projects for regional institutions.

Table 2: 1989 Programme - Actual Commitments by Project and Recipient (ECU million)

PROJECT NUMBER	COUNTRY	TITLE	EC FINANC.	LOCAL FINANC.	TOTAL COST
1. NORMAL PROJECTS					
1.1 ASIA					
ALA 89/6	Bangladesh	Bangladesh water development board	13.50	—	13.50
ALA 89/2	P.R. of China	Marine fisheries development	3.80	2.40	6.20
ALA 89/4	India	Strengthening of veterinary services	40.30	172.40	212.70
ALA 89/10	India	Rehabilitation of common lands in the Aravalli hills, Haryana	23.20	5.60	28.80
ALA 89/19	India	Bhimthal integrated water shed management	4.40	1.26	5.66
ALA 89/25	India	Alkaline land reclamation and development (90/01)	5.35a)	3.40	38.90
ALA 89/11	Thailand	Production of silk in North East	12.06	1.95	14.01
ALA 89/14	Thailand	Management improvement of irrigation North East	29.00	17.26	46.26
ALA 89/17	Thailand	Production of rubber	5.10	1.29	6.39
ALA 89/7	Pakistan	Roads in Tharparker	10.00	—	10.00
ALA 89/18	Philippines	Southern Mindanao agricultural programme	16.50	1.30	17.80
ASIA TOTAL:			163.21	206.86	400.22
1.2 LATIN AMERICA					
1.2.1 CENTRAL AMERICA					
ALA 89/09	Regional	Programme PAPIC Phase II	6.00	3.80b)	14.60
ALA 89/12	Regional	Regional system of payments	43.50	112.60	156.10
ALA 89/21	Costa Rica	2nd phase of agrarian reform (NA-82/12)	0.64c)	4.05	9.00
CENTRAL AMERICA S/TOTAL			50.14	120.45	179.70

Table 2 Ctd. 1989 Programme.

PROJECT NUMBER	COUNTRY	TITLE	EC FINANC.	LOCAL FINANC.	TOTAL COST
1.2.2 SOUTH AMERICA					
NA 83/21	Peru	Micro-investments Cuzco	1.20	--	1.20
ALA 89/01	Bolivia	Pac II	18.50	5.00	23.50
ALA 89/03	Regional	JUNAC-Programme of Agro-industrial consolidation (CAPI)	7.50	3.00	10.50
ALA 89/13	Regional	New technologies -University Simon Bolivar	3.70	1.30	5.00
SOUTH AMERICA S/TOTAL			30.90	9.30	40.20
1.2.3. CARIBBEAN REGION					
ALA 89/16	HaTti	Programme of micro-projects	5.50	--	5.50
CARIBBEAN S/TOTAL			5.50	--	5.50
LATIN AMERICA TOTAL:			86.54	129.75	225.40
2. DISASTER/RELIEF					
ALA 89/5	Bangladesh	Post-flood rehabilitation of rural health	18.65	--	18.65
ALA 86/02	Mexico	Hospital construction in Iztapalapa (suppl.)	1.04	--	1.04
ALA 87/23	Bolivia	Flood prevention Lake Titicaca	0.05d)	0.5	5.50
DISASTER/RELIEF TOTAL			19.74	0.5	25.19
3. AGRICULT. RESEARCH					
ALA 89/08		CGRAI	8.50	85.95e)	114.32
4. PROGRAMME MANAGEMENT					
ALA/ 89/E			5.00	--	5.00
GRAND TOTAL 1+2+3+4			282.99	423.061	770.13

- a) The EEC will commit ECU 30.15 million in 1990
- b) Italy ECU 1 M; Sweden ECU 3.8 M
- c) The EEC will commit ECU 4.31 million in 1990
- d) The EEC committed ECU 4.95 million in 1987 for the project approved in that year
- e) Member States : ECU 19.87 M

Table 3. Programme Commitments by Region, 1976-88 and 1989 (ECU Million)

Regions	Normal	Projects	Dis.Relief. Projects		Prog. Total	
	1976-88 ECU mio	1989 ECU mio	1976-88 ECU mio	1989 ECU mio	1976-88 ECU mio	1989 ECU mio
ASIA	1354.67	163.21	43.35	18.65	1398.02	181.86
1. Regional	34.40	-	-	-	34.40	-
2. South-East	370.12	66.46	-	-	370.12	66.46
3. South	922.16	96.75	38.10	18.65	960.26	115.40
4. Other	27.99	-	5.25	-	33.24	-
LATIN AMERICA	518.07	95.04	67.28	1.09	585.35	96.13
5. Regional	11.93	8.50	-	-	11.93	8.50
6. South America						
6.1 Regional	50.56	11.20	-	-	50.56	11.20
6.2 National	148.20	19.70	29.83	0.05	178.03	19.75
7. Central America & Caribbean						
7.1 Regional	111.89	49.50	-	-	111.89	49.50
7.2 National	195.49	6.14	37.45	1.04	232.94	7.18
AFRICA	67.76	-	9.60	-	77.36	-
TOTAL	1 940.50	258.25	120.23	19.74	2 060.73	277.99

Asia Regional : ASEAN, ADB, Mekong Committee
 Asia South-East : Indonesia, Philippines, Thailand and Vietnam, Laos, P.R. of China
 Asia South : Afghanistan, Bangladesh, Bhutan, Burma, India, Maldives, Nepal, Pakistan, Sri Lanka
 Other : Yemen AR, Yemen PDR, West Bank and Gaza
 Latin America Regional: CFAD, CIM, CIMMYT, IDB, OLADE
 South America Regional: JUNAC
 South America National: Bolivia, Colombia, Ecuador, Peru
 Central America & Caribbean Regional: BCIE, CADESCA, CATIE, INCAP, IICA
 National: Costa Rica, Dominican Republic, Haiti, Honduras, Nicaragua, El Salvador, Guatemala, Mexico, Panama
 Africa : Angola, Mozambique, Zimbabwe

Sectoral Breakdown of Projects

2.6 The sectoral evolution of EC-financed projects/programmes has steadily changed throughout the years towards types of operations such as institutional development, agro-industrial credit, fisheries, support to economic restructuring and rural micro-projects, and away from the more traditional financing of rural infrastructures, discrete irrigation projects and traditional integrated rural development. The shift responds both to the Community's policies on priority sectors and the demands of the project beneficiaries. Agricultural projects in 1989 accounted for 41% of all commitments, while they accounted for 75% between 1976-1987 and 66% in 1988. Projects dealing with forestry and environment accounted for 10% of all commitments in 1989 compared with 1% between 1976-1987 (due to three forestry/environmental projects in India). In 1989, a project benefiting the region of Central America (Regional System of Payments) initiated a sub-category of ALA aid dealing with economic restructuring/adjustment, although several other projects in the past had elements supporting policy changes within a specific project or component. Table 4 shows the sectoral distribution for the 1989 programme.

Table 4 - Sectoral Structure of EC 1989 Programme Commitments

Sector	N' of Projects	ECU Thousands	% of Commitments
1. Agriculture (of which):	11	115,850	40.9
A. Planning Strategy	--	--	--
B. Agrarian Reform	1	640	0.2
C. Infrastructure	--	--	--
D. Production/Marketing	3	22,510	7.9
E. Support Services	--	--	--
F. Agric. Research	1	8,500	3.0
G. Micro-projects, Rural Development	4	41,700	14.8
H. Irrigation	2	42,500	15.0
2. Forestry/Environment	2	27,600	9.8
3. Fisheries	1	3,800	1.3
4. Livestock	1	40,300	14.2
5. Industry : Crafts, Trade	2	13,500	4.8
6. Social Services			
7. Gral. Infrastructure	1	10,000	3.5
8. Reconstruction/ Catastrophes	3	19,743	6.9
9. Refugees	--	--	--
10. Technical Support Public Institutions	1	3,700	1.4
11. Economic Restructuring/ Adjustment	1	43,500	15.5
12. Programme Preparation, Management, Monitoring	1	5,000	1.7
	24	282,993	100.0

Chapter 3: CUMULATIVE ASSISTANCE : 1976 to 1989

3.1 The budgetary commitment appropriations, actual commitments and their liquidation through payments for financial and technical co-operation for the ALA developing countries under entries 9300 and 9310 of the General Budget between 1976 and 1989 are shown in Table 5.

Table 5 : Commitment Appropriations, Actual Commitments and Their Liquidation Through Payments, 1976-1989 and 1989 by Calendar Year (ECU Million)

Calendar Year	Commitment Approps.	Actual Commitments	Liquidation Through Payments	
			1976-89	As % of Each Year's Commitments
1976	20.0	21.0	21.0	100
1977	45.0	43.7	42.2	97
1978	70.0	29.7	26.7	90
1979	110.0	117.6	113.9	97
1980	138.5	132.5	120.8	91
1981	150.0	153.5	123.9	81
1982	243.0	134.7	117.1	87
1983	212.2	227.4	183.0	80
1984	218.0	249.3	186.6	75
1985	264.0	149.7	79.9	53
1986	248.2	268.6	156.2	58
1987	172.8	342.9	83.2	24
1988	247.5	264.0	42.5	17
1989	283.0	283.0	11.3	4
-----	-----	-----	-----	-----
TOTAL	2422.2	2417.6	1308.3	54

Commitments and Their Payments

3.2 During the period 1976-1989 as a whole, the EC committed ECU 2,418 million, almost equivalent to the totality of the budget appropriations. The total commitments of ECU 2,418 include the four main types of actions of ALA aid: "normal" projects, relief projects, agricultural research and the management of the 1989 aid programme. Total payments during the same period amount to ECU 1,308 million, or 54% of the total funds committed. The percentage of those funds paid decreases over time as the more recent projects are in their earlier stages of their implementation. A typical agricultural project (large irrigation scheme) is implemented over a period of 6 to 8 years; rural micro-projects are implemented within 2 to 3 years, as do also agriculture credit projects and some industrial projects.

Projects which are implemented and normally disbursed within a year include commodity aid, disaster relief operations and agricultural research.

- 3.3 The majority of EC annual country aid programmes were spent (i.e. 75% of actual aid disbursed) by the fifth year following the date of the Financing Decision. Five years is also the usual project life span anticipated at the moment of the Financing Decisions. Individual disbursements at the project level, however, may vary a great deal from this norm and are difficult to predict. There are several causes. The appreciation of the ECU in recent years relative to currencies used to pay suppliers have resulted in "savings" in the contribution of the EC if the project was completed or, alternatively, permitted an expansion in the activities of an on-going project (e.g., more hectares placed under irrigation). A second cause is tied to the increasing shares of local project expenditures taken on by the EC contribution. The tendency to "savings" on EC funds increased, particularly in those countries where stabilisation policies were successful. Some countries have managed to keep under control domestic inflation by deflationary economic and monetary measures, in conjunction with devaluation of the domestic currency. A third cause is the competition worldwide in recent years amongst suppliers of capital goods which has kept many prices at levels lower than expected.

Commitments by Beneficiary Country

- 3.4 In Table 6 are shown the actual commitments between 1976 and 1989 for all countries which have benefitted from the EC's financial and technical cooperation. Within the total commitments for normal projects (ECU 2,190 million) between 1976 and 1989, Latin America accounted for 28% of the total, Asia for 69% and other areas for the remaining 3%. Latin America's share, however, has increased from 30% in 1987, to 33% in 1988, and 35% in 1989, in line with the Council's Guidelines and with the separate budgetary appropriations introduced recently for the two geographical regions.
- 3.5 In Latin America, the largest beneficiary countries are the ones associated in some form of integration because of the EEC special concern with that policy (Central America, Andean Pact); or the ones with lowest incomes because their policies towards the poor in rural areas are in line with our aid Guidelines (Haiti, Bolivia, Peru in some years). Also, in this region a significant amount has been given directly in the past to regional institutions (Interamerican Institute for Agricultural Sciences in Costa Rica, and others).
- 3.6 In Asia, the beneficiary countries receiving substantial EC co-operation are India (28% of the total for the period 1976-1989) Thailand (8%), Bangladesh (7%), and Pakistan and Indonesia (6% each). Regional or international institutions themselves have received 1.5%.

Table 6 (Ctd.)

Breakdown of Actual Commitments by Recipient, 1976-1989 (ECU million)

	1976 1980	1981 1985	1986	1987	1988	1989	TOTAL	%
1. NORMAL PROJECTS								
AFGHANISTAN	1.00	0.00	-	-	-	-	1.00	0.05
BANGLADESH	32.70	83.00	-	3.96	26.70	13.50	159.88	7.30
BHUTAN	-	9.00	-	-	3.40	-	12.40	0.57
BURMA	5.90	8.00	-	3.45	0.50	-	17.85	0.81
CHINA	-	12.00	5.15	6.35	8.60	3.80	35.90	1.64
INDIA	86.10	251.50	67.77	51.10	73.65	73.25	603.67	27.56
INDONESIA	28.16	71.74	10.00	21.10	-	-	131.00	5.98
LAOS	4.10	1.20	5.50	0.40	5.50	-	16.70	0.76
MALDIVES	0.50	1.70	-	-	-	-	2.20	0.10
NEPAL	5.20	15.80	-	2.71	-	-	23.71	1.80
PAKISTAN	24.30	45.80	7.80	25.60	18.00	10.00	131.50	6.00
PHILIPPINES	8.00	17.90	18.50	-	10.40	16.50	71.30	3.25
SRI LANKA	21.70	20.00	-	25.00	-	-	66.70	3.04
THAILAND	21.40	92.07	5.60	2.80	11.25	46.16	179.28	8.19
VIETNAM	2.40	0.00	-	-	-	-	2.40	0.11
WEST BANK AND GAZA	-	3.65	-	-	-	-	3.65	0.17
YEMEN AR	3.10	13.74	7.50	-	-	-	24.34	1.11
ADB	4.30	1.00	-	-	-	-	5.30	0.24
ASEAN	0.90	14.63	12.42	-	-	-	27.95	1.28
MEKONG COMMIT.	0.40	0.75	-	-	-	-	1.15	0.05
SUBTOTAL ASIA	250.00	663.48	140.24	142.49	158.00	163.21	1,517.88	69.30
BOLIVIA	8.70	42.50	20.00	5.20	1.90	18.50	96.80	4.42
COLOMBIA	-	4.00	-	-	-	-	4.00	0.18
COSTA RICA	-	27.95	-	-	-	0.64	28.59	1.31
DOMINICAN REP.	12.00	-	-	-	-	-	12.00	0.55
ECUADOR	2.90	3.00	-	9.00	-	-	14.90	0.68
HAITI	13.90	7.13	4.85	-	-	5.50	31.38	1.43
HONDURAS	14.96	28.65	14.50	-	-	-	58.11	2.65
NICARAGUA	2.96	24.05	5.60	1.96	1.48	-	36.05	1.65
EL SALVADOR	-	0.00	-	9.50	-	-	9.50	0.44
PERU	2.00	11.60	16.00	-	21.40	1.20	52.20	2.38
GUATEMALA	-	0.60	12.00	5.50	8.50	-	26.00	1.19
ANDEAN PACT/ JUNAC	9.08	25.88	-	0.10	9.50	11.20	55.76	2.55
PEC	-	0.00	-	6.00	-	-	6.00	0.27
CENTRAL AMER. BCIE	-	16.50	2.90	22.00	36.80	43.50	121.70	5.56
CADESCA	3.23	20.00	-	-	-	6.00	29.23	1.33
CATIE	-	4.82	-	-	-	-	4.82	0.22
CATIE	1.87	0.26	-	-	-	-	2.13	0.10
CFAD	1.80	0.00	-	-	-	-	1.80	0.08
CIM	-	1.40	-	-	-	-	1.40	0.06
CIMMYT	-	2.00	3.00	-	-	-	5.00	0.23
IDB	2.00	0.00	-	-	-	-	2.00	0.09
IICA	-	1.71	-	-	-	-	1.71	0.08
INCAP	1.80	0.00	-	-	-	-	1.80	0.08
OLADE	1.20	0.53	-	-	-	-	1.73	0.08
SUBTOTAL LATIN AMERICA	66.40	233.98	78.85	56.26	79.58	86.54	604.61	27.61

Table 6 (Ctd)

Breakdown of Actual Commitments by Recipient, 1976-1989 (ECU million)

	1976 1980	1981 1985	1986	1987	1988	1989	TOTAL	%
1. NORMAL PROJECTS								
ANGOLA	1.40	22.01	-	-	-	-	23.41	1.07
MOZAMBIQUE	3.00	26.64	0.21	-	-	-	29.85	1.36
ZIMBABWE	14.50	0.00	-	-	-	-	14.50	0.66
SUBTOTAL								
AFRICA	18.90	48.65	0.21	0.00	0.00	0.00	67.76	3.09
TOTAL NORMAL PROJECTS	335.76	946.10	219.30	201.75	237.58	249.75	2190.24	100.00
2. DISASTER/RELIEF PROJECTS								
BANGLADESH	-	-	-	6.50	-	18.65	25.15	17.97
INDIA	10.90	11.00	-	-	-	-	21.90	15.65
PAKISTAN	-	6.70	-	-	-	-	6.70	4.79
SRI LANKA	3.00	-	-	-	-	-	3.00	2.14
YEMEN AR	-	2.75	-	-	-	-	2.75	1.96
YEMEN PDR	-	2.50	-	-	-	-	2.50	1.79
BOLIVIA	-	12.40	0.68	-	-	0.05	13.13	9.38
COLOMBIA	-	3.90	-	-	-	-	3.90	2.79
COSTA RICA	-	3.60	-	-	-	-	3.60	2.57
DOMINICAN REP.	4.80	-	-	-	-	-	4.80	3.43
DOMINIC.REP./								
HAITI	-	1.50	4.85	-	-	-	6.35	4.54
ECUADOR	-	2.85	-	-	3.50	-	6.35	4.54
HONDURAS	-	1.60	-	-	-	-	1.14	1.14
MEXICO	-	-	5.20	-	-	1.04	6.24	4.46
NICARAGUA	2.50	1.60	-	-	-	-	4.10	2.93
PERU	1.50	-	5.00	-	-	-	6.50	4.64
EL SALVADOR	-	5.30	-	6.50	-	-	11.80	8.43
MOZAMBIQUE	-	2.50	-	-	-	-	2.50	1.78
ANGOLA	-	2.00	-	-	-	-	2.00	1.43
ZIMBABWE	4.00	-	-	-	-	-	4.00	2.86
CENTRAL AFRICA	1.10	-	-	-	-	-	1.10	0.78
TOTAL DISASTER RELIEF PROJ.	27.80	58.20	15.73	15.00	3.50	19.74	139.97	100.00
3. AGRICULTURAL RESEARCH								
CIMMYT	-	-	-	-	-	1.60	1.60	
CIAT	2.95	8.20	1.80	-	1.80	1.80	16.55	
CIP	1.50	4.65	1.00	-	1.00	1.00	9.15	
ICRISAT	5.55	7.30	1.80	-	1.80	1.80	18.25	
IRRI	4.00	8.60	1.80	-	1.80	1.80	18.00	
ISNAR	-	0.65	0.50	-	0.50	0.50	2.15	
TOTAL AGRICULT. RESEARCH	14.00	25.40	6.90	0.00	6.90	8.50	65.70	
4. MANAGEMENT	6.00	21.50	5.50	5.20	-	5.00	43.20	
TOTAL COMMITM. (1+2+3+4)	383.56	1055.20	247.43	221.95	247.98	282.99	2439.11	

Table 6 (Ctd)

Breakdown of Actual Commitments by Recipient, 1976-1989 (ECU million)

SUMMARY BY REGIONS

	1989			1976-1989		
	ASIA	LATIN AMERICA	TOTAL	ASIA	LATIN AMERICA	TOTAL
NORMAL PROJECTS	163.21	86.54	249.75	1,517.88	604.61	2,122.49
DISASTER PROJECTS	18.65	1.09	19.74	62.00	68.35	130.35
TOTAL	181.86	87.63	269.49	1,579.88	672.96	2,252.84

Payment Appropriations and Their Utilisation.

- 3.7 The budgetary appropriations for payments and their utilisation for the period from 1977 to 1989 are summarized in Table 7 below and detailed in Annex IV.
- 3.8 The payment appropriations and actual payments have since 1977 increased at an average annual rate of about 20%. There were however, particularly during the early years of this co-operation programme, variations exceeding 100% from one year to the next. The overall rate of utilisation (1977-89) of payment appropriations was over 80%. During the 13 year implementation period one can distinguish among three phases affected by different regulations concerning payment appropriations. The first budgets provided for non-differentiated appropriations (payment appropriations were equal to commitment appropriations) which proved unsuitable for the purpose of a technical assistance programme. Implementation and expenditure rates could not keep pace with the rate of commitments. Between 1979 and 1986 differentiated appropriations were allocated, and remainders from one year were almost automatically carried over to the next. This allowed the Commission to use these funds as a "buffer facility" for unexpected accelerations or delays in payments and proved very successful. Only 4.5% of the appropriations allocated (40 out of ECU 900 Million) were lost due to non-utilisation. The period from 1987 onwards is marked by greater budgetary discipline (by formal amendment of the Financial Regulations in 1988) and a return in principle to a one year management method of appropriations. Following teething problems in 1987-88, the utilisation rate reached again in 1989 a satisfactory level of 93%.
- 3.9 The rate of project implementation and its corresponding payment is largely determined by the beneficiaries' capacity to absorb the funding provided, while the instruments available to the Commission to influence events are limited. Short-term effects of acceleration can sometimes be achieved by injection of additional technical assistance from the programme's annual provisions for external expertise or support missions of Commission officials. This instrument however is limited to a selected number of projects identified to having a particular and soluble problem causing a delay. The impact through reforms of a programme's orientation or its implementation procedures within agreements concluded with beneficiaries is gradual and takes effect with one or more years of delay. Reinforcement of the Commission's technical staff at headquarters and delegations appears imperative in order to achieve a substantial and durable increase in the implementation rate.

**Table 7: Payment Appropriations and Their Utilisation Through
Payments, by Calendar Year, 1977-1989 (ECU Million)**

Calendar Year	Payment Appropriations			Actual Payments			Utilisation in %		
	Current Budget	Carry For - ward	Total	Current Budget	Carry For - ward	Total	Current Budget	Carry Forward	Total
1977	45.0	-	45.0	6.5	-	6.5	14	-	14
1978	40.8	-	40.8	7.7	-	7.7	19	-	19
1979	55.6	37.7	93.3	18.6	0.0	18.6	33	-	20
1980	22.0	35.6	57.6	3.3	35.6	38.9	15	100	68
1981	67.5	34.2	101.7	53.4	34.2	87.6	79	100	86
1982	168.0	14.1	182.1	52.8	14.1	66.9	31	100	37
1983	112.5	115.2	227.7	28.6	100.1	128.7	25	87	57
1984	118.0	66.4	184.4	104.3	41.9	146.2	88	63	79
1985	134.5	14.7	149.2	133.7	14.7	148.4	99	100	99
1986	210.0	0.9	210.9	171.3	0.9	172.2	82	100	82
1987	248.8	38.7	287.5	154.3	0.0	154.3	62	-	54
1988	198.0	132.1	330.1	162.7	0.0	162.7	82	-	49
1989	183.2	0.0	183.2	169.6	-	169.6	93	-	93
TOTAL	1,603.9	n/a	n/a	1,066.8	241.5	1,308.3	n/a	n/a	82

n/a = not applicable for the total period because carry forward amounts could be double counted in the previous year amount shown for the current budget.

The Effect of Commodity Aid on Overall Payments

3.10 The actual payments made annually (and referred to above) include those paid directly for "normal" projects and those channeled through commodity aid. This vehicle for channeling aid has permitted a quick transfer of resources to help finance the local costs of EC-supported projects. But such vehicle can only be used in limited cases where a country has a demonstrated need for the commodity, and has the institutional structure to handle the physical and financial management of the transfer of commodities and funds. One such case is India which received an annual average of ECU 35 million between 1980 and 1989 (mostly fertilizer in bulk). On the average, commodity aid represented 27% of the annual payments for the financial and technical co-operation during the same period, with a peak of 42% in 1983 and since then steadily decreasing to 24% in 1989, because the amounts allocated to this type of aid have been reduced since 1988. The level of payments for "normal" projects is thus increasing.

Projects Completed in 1989

3.11 For the purposes of this report, a project is considered to have been "completed" when its disbursements reach 95% of the sums committed. This purely financial criterion is in some cases qualified by technical considerations, where they apply. For instance, a given project may be regarded as completed even if disbursements are below 95%, whereas another project in respect of which the full amount has been disbursed may not be regarded as completed because of the actual progress made, which generally means that further sums have to be committed to enable the project to be brought to a conclusion in line with the initial objectives.

3.12 On the above basis, ten projects are considered to have been completed in Latin America (for a combined amount of payments made by the EC of ECU 64 million) and five in Asia (ECU 82 million). All 15 projects had total costs of ECU 319 million. The completed projects are listed in Annex V.

Studies Carried Out During 1989

3.13 In Annex VI is shown the list of studies carried out during 1989 to support the preparation and analysis of the ALA aid programme.

Chapter 4 : Evaluation Ex-post of Completed Projects

Background

- 4.1 The concept of evaluating the Community's aid activities and the definition of its objectives emerged in the early 1970s with the first Lomé Convention, and began to be applied to ALA aid in the mid-1980s as a number of projects, which were approved beginning in 1976, started to become completed. Since 1987, a three-tiered process of evaluating ALA activities has been in place. First, each project is to be subject to a formal evaluation by the Community mid-term during the project's life, for the purpose of taking stock in an ongoing undertaking and redirect the project or reinforce whatever weaknesses appear. Second, each project is subject to an evaluation when it is fully completed, under the responsibility of the beneficiary Government. Third, the Community carries out independent evaluations of projects selected so as to represent a broad range of countries and investment sectors. Nine such evaluations on ALA aid were completed in 1989 and about twenty more are programmed for 1990/91. Also, varied evaluations have been carried out for ad hoc purposes such as studying the implementation experience of food aid, irrigation, etc., in particular regions. The formal evaluation exercises follow the guidelines and standards set out by the Commission's service charged with evaluating ACP and ALA activities, and those of the Development Aid Committee of the Organisation for Economic Co-operation and Development. The lessons learned from evaluation exercises feed back into the next generation of similar projects or activities, informally at present through the efforts of the staff who identify or initiate subsequent projects, as well as from lessons learned through progress reports on projects and, more simply, country experiences during normal project implementation and through contacts with co-financiers.
- 4.2 In the process of preparing the past twelve Annual Reports for the Council and Parliament, desk reviews of past experiences have also been carried out on topics or themes which become of operational or policy importance (eg. agrarian reform in Latin America, agricultural research), or a sector or activity which needs to be reviewed to feed into a new Community activity (eg. strengthening a programme of training to co-operatives). Similarly, during the same process, desk reviews are prepared for countries where a lending programme has become substantial (eg. India), or one where implementation problems become critical (eg. Bolivia). The approach of analysing country cases in ALA aid is still in its infancy, but will become more critical as the Community's activities are increasingly being focused on individual countries' institutional and policy needs, and also because (as proven by the evaluations carried thus far) the policy environment is becoming the critical determinant of project success. Regular reporting on formal evaluations carried out on ALA financial and technical co-operation began with the Eleventh Annual Report (COM (88) 715 of 16 January 1989). More detailed analyses on the evaluation results and lessons learned were utilised in preparing a Ten-year Report on Development Co-operation with the Developing Countries of Asia

and Latin America by the Commission (SEC (89) 713 of 10 May 1989). The sections that follow summarise the overall results of the nine evaluations completed in early 1989. In Annex VII individual summaries of the nine evaluated projects are presented.

Evaluation of Financial and Technical Co-operation (6)

- 4.3 The performance of the EC aid programme has to be placed in the perspective of the economic crises of the 1980s that pervaded most recipient ALA countries. Between 1976 and 1988, over 94% of EC financial and technical assistance in Asia (excluding India) went to countries undergoing structural adjustment programmes, and over 70% in the case of Latin America. Furthermore, the majority of EC annual ALA aid programmes were spent (i.e. 75% of aid actually disbursed) by the fifth year following the date of the Financing Decision approved by the Council. Five years is now the usual life span of ALA projects (it was three and a half in the late 1970s).
- 4.4 The overall conclusions of the evaluation exercises on financial and technical co-operation carried out thus far on EC-ALA aid permit to state that there has been an overall accord between ALA aid objectives and those development needs which the EC can handle or finance. With few exceptions, the EC provides relatively small amounts of aid at the individual project or even the country level. EC's influence on a particular country or on sector policies is relatively small. It obviates this limitation by tailoring actions to particular needs or sectors and thus it enhances its impact on overall policy.
- 4.5 Strictly from the viewpoint of the impact of a single project, the results of EC ALA aid do not significantly differ from other Official Development Aid. The projects reviewed represent a level of general development effectiveness that is fully satisfactory for the 13 year ALA development programme. The review comprised an analysis of the performance of projects and their components in relation to ten demanding evaluation criteria. This conclusion is further strengthened by favourable comparison of sampled projects with the degree of effectiveness achieved by similar projects undertaken by other development organisations in the same periods and countries. There are, of course, some areas where ALA aid needs improving (at the policy, design and operational levels), which are presented and discussed below.

-
- (6) The sections that follow are merely summaries of the conclusions presented in more detail in the Evaluation Report (CAB/X/89) of 1 August 1989, and are included in the Thirteenth Annual Report for the record. The views contained in the Report represent those of the external evaluators and not necessarily those of the CEC. When making observations, the evaluators may not only refer to the experiences of the EC-financed projects, but also to experiences of particular components of those projects (ALA aid is often multi-component) or to experiences of non-EC-financed projects of similar nature and with similar contexts.

4.6 With the benefit of hindsight, a few key factors appear to be determinant to successful project performance and sustainability in EC-financed ALA aid. They are:

- i) appropriate macro-economic and policy contexts for the projects;
- ii) adequate institutional capability in the country to analyse and manage the project;
- iii) appropriate institutional channels and services to reach the intended target group;
- iv) participation of beneficiaries in project design and consideration of their socio-economic environment; and
- v) technically sound basis so the project can extend or expand the technology change beyond the project itself or the project area.

4.7 With a relatively large variety of projects undertaken in the ALA aid programme, some specific indicators of performance can be drawn at the sectoral level. They are:

- i) rural infrastructure and irrigation projects are generally successful and normally reach the desired target groups, but their sustained operation and maintenance activities are difficult to attain;
- ii) traditional rural development projects have in general provided basic infrastructures, rural roads, social services, etc. Purely productive agricultural components have shown best results when implemented as a separate undertaking and not mixed with rural infrastructure projects. In difficult environments, micro-rural projects have proven successful because beneficiaries participate directly in the project and project management is decentralised to the lowest level possible;
- iii) agricultural credit projects have reached beneficiaries, but because of often subsidised interest rates, the intermediary institutions have become decapitalised. Also collection rates have been low;
- iv) agrarian reform projects financed by the Community have been overall successful; and
- v) storage projects for agricultural inputs or outputs have only been successful when Government policy was suitable to the project.

Overall Observations Made by the Evaluators

- 4.8 From project or programme or mid-term evaluations of ALA aid, several issues have often appeared, some of which have a difficult or no solution.
- 4.9 Local budgetary shortages have plagued many projects, especially in Latin America in the early 1980s and in Asia in the mid-1980s. This prevailing situation can be partially mitigated by increasing the share of EC financing to cover almost all of the project's costs, by replacing national budgetary financing with increased EC contributions, or by ensuring that projects have the proper policy setting so their recurrent expenditures are self-financing.
- 4.10 The exchange rate at which the EC disburses funds to project accounts or to Government budgets requires further discussion. Recently, and particularly in Asia, as some countries have succeeded in carrying out stabilisation policies, EC funds become larger in domestic currency terms than envisaged at the project's beginning, either because a particular country's exchange rate is slightly undervalued or because the EC finances local costs which have decreased in volume in relation to foreign costs. The contrary case appears in countries where the parallel exchange rate exceeds the official rate; EC disbursements then entail a subsidy either to Government or to a project beneficiary. A third case appears in periods of high inflation, when the time interval between an expenditure being incurred and disbursement by the EC results in a penalty to the country or to the project. Project accounts partially remedy the penalty by shortening that interval.
- 4.11 Some of the lessons learned in the ALA aid process are the following:
- i) most project delays occur during their early stages of implementation. Once projects are underway, their rate of implementation roughly follows the rate envisaged at project preparation;
 - ii) project strategies which have a clear linkage to a larger policy framework tend to result in projects with high rates of success;
 - iii) partnership with other multilateral institutions was necessary and fruitful, specially at the beginning of the ALA aid Programme;
 - iv) in some countries, the EC has succeeded in supporting local administrations by allowing technical assistance to take up some managerial roles;
 - v) credit projects or components which do not address their institutional constraints (including appropriate interest rates for sub-borrowers) tend to be less successful; and
 - vi) more realistic calculations and expectations should be prepared by the Commission on the capacity of Governments to provide counterpart funds.

Chapter 5 : TWO CASE STUDIES

- 5.1 Following the practice of these Annual Reports, this Chapter presents two themes which have emerged during the year under review.

A. Monetary Integration in Central America

- 5.2 This is a first operation of this type in ALA's portfolio in development co-operation in that it integrates several policy measures supported by quick disbursing resource transfers. A first phase of a programme of two and a half years was approved by the Community in 1989 to strengthen the economic integration process of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (Establishment of a New Payment System in Central America). The purpose of this Programme is to establish a regional payments system aimed at reviving intra-regional trade in Central America. The trade decline which began in the early 1980s is both economically and politically one of the most worrying aspects of the crisis which the region is experiencing.
- 5.3 The economic aim of the programme is to bring about a return to the level of intra-regional trade reached in Central America at the end of the 1970s (a level now decreased by one-half), and thus to get more out of currently substantially under-utilized infrastructure and industrial capacity. In a wider context, the programme will seek to provide a strong renewed impetus for the move towards regional economic integration, also a key policy of the European Community. The regional payments system will increase co-operation between the governments and Central banks of Central America and will widen the role of the institutions in charge of integration. Success in the Programme will also inevitably lead to further steps towards economic integration, harmonisation of customs procedures and legislation concerning the transport of goods, and co-operation on maintaining and modernising transport and communications infrastructure. Success in the Programme should, in fact, further integrate the economies of the region and, more importantly, this Programme would reinforce the economies of the region and enable them to enter the multilateral trade system at the world level and with possibilities for success.
- 5.4 The main barrier to a revival of regional trade in Central America is a lack of continuity and reliability in settling transactions. This is due essentially to a lack of foreign exchange, the non-convertibility of most of the local currencies and the absence of a payments system of a truly multilateral nature. Because of this situation, settlements in trade take place through bilateral agreements, the use of hard currencies or barter arrangements, practices which seriously hamper trade growth. The regional payments being set up is based, with changes to adapt it to local conditions, on the principles of the European Payments Union. That Union operated successfully in a post-war Europe in which circumstances were similar (non-

convertible currencies, lack of foreign exchange), allowing the participating countries to restore convertibility to their currencies. The payments system will ensure the multilateral clearing of payments relating to commercial transactions; settlements will take place by means of lines of credit extended to the System or to the participating Central banks in the System.

5.5 The Community contributes to the Programme as follows:

- (i) firstly, it will provide an estimated ECU 120 million (it committed ECU 43.5 million in 1989) over the period of its involvement, and will thus help in meeting the need for foreign exchange created by the growth in intra-regional trade;
- (ii) secondly, the Payments System will acquire the necessary security and flexibility through a fund holding the counterpart of this ECU contribution, mostly in the strongest currencies of the region; it will be guaranteed against exchange risk and protected against inflation by the region's Central banks; and
- (iii) the Community will also be providing substantial technical assistance for the operation and monitoring of the System.

5.6 The Central American Monetary Council, a regional institution consisting of the governors of the five central banks, will be responsible for the implementation of the Programme. Eventually, the Programme is scheduled to last five years; by the end of this period it should be possible to contemplate restoring the convertibility of the region's currencies.

5.7 The major components or actions of the Programme are the following:

- (i) monthly clearings of bilateral trade balances at the multilateral level showing individual countries debits or credits within the System;
- (ii) automatic access to credit by a participating country (in domestic currency) to settle the multilateral balances. The amount of credit has an upper limit or quota linked to the export capacity of that country and is limited to avoid uncontrolled deficits;
- (iii) access to credits in special circumstances by countries with critical balance of payments problems but subject to the adoption of a recovery programme;
- (iv) strict monetary discipline by suspending a participant when its credit options are exhausted or its settlements are not carried out regularly; and

- (v) technical assistance to the Central American Monetary Council on policy analysis in monetary matters, on the operation and monitoring of the System, and on evaluations during and after the implementation of the Programme.

5.8 The Programme includes measures to be taken to ensure its viability and equilibrium. They are :

- (i) implementation of plans by all five participating countries on trade liberalization at the intra-regional level, as agreed with the EC;
- (ii) adoption and maintenance of macro-economic policies that would ensure equilibrium in the balance of payments; and
- (iii) audits on the use of the funds within the System.

5.9 This Programme is described in some detail because it has some features that, although neither new nor unique, all together show a special Community effort towards solving a complex problem. The Programme is relative large (total costs of about ECU 250 million) but has been designed for implementation in several phases, each phase building up on the results of an earlier phase. Therefore, the Programme's annual financial requirements can reasonably be met by Governments and the Community. The Programme has a proven political commitment by participating countries (their five Ministers of Foreign Affairs have jointly requested the financing at the San Jose V Ministerial conference). It benefits also from the European Community's political commitment to the Central American region. The Programme is expected to have fast and immediate economic effects: elimination of most foreign exchange controls/and administrative barriers to trade; and expansion of trade volumes (agro-industry, and in some industries now with unused under-capacity). Over a longer term, regional trade is expected to increase by 20-30% annually, increasing total trade to the levels existing in the 1970s. GDP would increase as the present low share of trade in GDP (about 3%) would increase in five years (to about 8%). At the micro level, gains in productivity are expected as imported capital goods replace the less competitive domestic ones. The Programme is further characterized by: relatively quick disbursements of the EC aid; a substantial input for institutional development in a key area of economic management; the life of the Programme is relatively short; and large opportunities are open to co-financing from other donors.

5.10 The Community also approved in 1989 another programme (Support to the Small- and Medium-scale Industry in Central America PAPIC) which supports the Monetary Union in the region. PAPIC is a credit programme (of a supervised type) aimed at increasing the productivity and the export potential of the region's industrial sector. The programme provides de-centralized technical assistance and the necessary foreign exchange in the form of commercial credits to this type of enterprises.

B. Protection of the Environment in India

- 5.11 India faces serious challenges due to ever-increasing requirements of food production to feed its growing population which will exceed 1 billion people by the end of the century. India's long-term policies of maintaining self-sufficiency in food production requires that the present production of about 175 million tonnes of food grains has to be increased to about 240 million tonnes, and that it is achieved against the background of per capita available land of only 0.33 ha in the year 2000 as compared to 0.94 ha in 1951.
- 5.12 This will require extensive yield increases and efficient land use planning where considerable attention needs to be given to environmental protection, reversing the depletion of land fertility, and preventing the diminishing of non-reversible natural resources. The EC, in financially assisting rural development projects in India, is giving careful attention to environmental protection through the improvement of livestock management, reduction of overgrazing, reforestation, homestead planting, reclamation of depleted and low productive soils, wasteland development and protection, and all through active participation of the local population.
- 5.13 The protection of the environment is a major concern for India. The nation's resources deteriorate through the pressures of increasing population, industrialisation and urbanisation and sometimes through inappropriate agricultural practices. The agricultural soil loses fertility because of the absence of additions of nutrients and becomes subject to erosion in certain regions because of excessive tree felling for energy consumption. Also, the ecological situation deteriorates by the increase in the number of livestock and the resulting overgrazing compared to the production of grass and fodder.
- 5.14 Eight projects approved between 1976 and 1988 (with an EC contribution of ECU 150 million) dealt with environment protection by the inclusion of components which individually tackled environmental constraints (appropriate cultivation methods; development of irrigation, horticulture, livestock management; training). Most of these projects aimed at re-establishing some ecological equilibrium in the long-run (water control, land reclamation), and in the short-run (provision of fuel and fodder for the rural populations). But the individual actions were not always integrated in improving land protection and land use while at the same promoting the local population understanding of their self-interest in better management of their resources, neither in time nor in geographical spread. The short-term gains of the individual components could run against their long-term objectives.

- 5.15 The projects approved in 1988 and in 1989 have taken note of the earlier shortcomings and have been modified and designed under a community-based approach. If in the past the projects had been designed from the top down and by default they were managed that way, the new projects will closely involve their beneficiaries in the rural areas. Firstly, the components of the projects will maintain a balance in the beneficiaries demands for physical outputs and for long- and short-term goals. Secondly, the beneficiaries group themselves in committees or associations to plan the stages for implementing a component and to help implement themselves some of the components.
- 5.16 The competing demands for fuelwood and livestock products can only be reconciled by a balanced development of forestry to quickly provide fuelwood at the same time as to provide cover for grass and fodder production, and protection for degraded hill sides. Livestock movements in communal lands need to be planned and controlled to avoid overgrazing and to allow the forest cover to offer protection to the complex of crops/fodder/soil which lies beneath it.
- 5.17 The competing goals between those of a long-term nature (increase and diversification in incomes) and those of a short-term one (immediate feeding of livestock and production of fuelwood) likewise demand a balanced development of forestry, grasses and crops.
- 5.18 The new projects have some common elements to provide for balanced development, in time and in geographical interlinkage. The main executing agency is to be located in the project area. A project coordination cell supports the involvement of participants and beneficiaries. Micro-planning of actions also involve the beneficiaries. During a project's implementation period, restrictions are placed on the use of project outputs (livestock movements, premature felling of trees). Training, extension and consensus-seeking from beneficiaries become key project components. Women and children will receive a relatively large amount of training and extension. The projects will promote a labour-intensive approach and will primarily use the labor of the beneficiaries. Activities protecting the soil (land levelling, contour bunding, terracing, soil treatment, planting) will be phased in with other productive activities to the benefit of the local population and to ensure the sustainability of the results.

COUNCIL REGULATION (EEC) No. 442/81

OF 17 FEBRUARY 1981

**COUNCIL REGULATION (EEC) No 442/81
of 17 February 1981**

on financial and technical aid to non-associated developing countries

THE COUNCIL OF THE EUROPEAN
COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission⁽¹⁾,

Having regard to the opinion of the European Parliament⁽²⁾,

Whereas the pursuit of a Community development cooperation policy calls for *inter alia* the carrying out of certain financial and technical aid operations for the benefit of non-associated developing countries, taking account of the economic principles and priorities established by those countries and having regard to the aspirations of the developing countries towards promoting their development on the basis of their own efforts and of the resources available to them;

Whereas the implementation of such operations would be likely to contribute to the attainment of the Community's objectives;

Whereas the Council, in a resolution of 16 July 1974, confirmed the principle of Community financial and technical aid to non-associated developing countries;

Whereas the action to be taken to implement such aid, the objectives to be attained and the detailed rules of administration should be laid down;

Whereas provision should be made for a procedure involving the participation of a committee composed of representatives of the Member States;

Whereas the Treaty does not provide the specific powers of action for this purpose.

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall implement measures for financial and technical aid to non-associated developing countries on the basis of the criteria provided for in this Regulation.

Article 2

The aid shall be directed as a general rule towards the poorest developing countries.

(1) OJ No C 54, 4.3.1977, p. 5.

(2) OJ No C 118, 16.5.1977, p. 60.

Bearing this principle in mind, a Community presence should be ensured in the major regions of the developing world while aiming at a reasonable geographical balance among these regions.

Article 3

1. The aid shall be mainly directed towards improving the living conditions of the most needy sections of the population of the countries concerned.

2. Special importance shall be attached to the development of the rural environment and to improving food production.

As a subsidiary form of action, participation in regional projects may be considered.

3. Part of the aid shall be earmarked for measures to deal with exceptional circumstances, in particular projects to promote reconstruction in the event of disasters, where such projects are not financed from other Community funds.

Any unallocated part of the reserve in question shall be released on 31 October of each year to be allocated in some other way, on a proposal from the Commission, in accordance with the procedure laid down in Article 14.

Article 4

Aid shall be granted by the Community either autonomously or, for a substantial share, by means of co-financing with Member States or with multilateral or regional bodies. Wherever possible, the Community nature of the aid shall be maintained.

Article 5

Community aid shall, as a general rule, be in the form of grants.

Article 6

1. Aid may cover expenditure on imports and local expenditure required to carry out projects and programmes.

Taxes, duties and charges and the purchase price of land shall be excluded from Community financing.

2. Maintenance and operating expenses for training and research programmes and for other projects may be covered following a case-by-case examination by the Committee referred to in Article 11, subject to the proviso that aid for other projects can only be given at the launching stage and in decreasing amounts.

3. In cases of co-financing, however, due account shall be taken in each case of the relevant procedures applied by the other aid donors.

Article 7

1. For those operations, for which the Community is the sole source of external aid, participation in calls for tenders, invitations to tender, and purchasing and other contracts shall be open on equal terms to all natural or legal persons of Member States and the recipient State.

Such participation may be extended to other developing countries which are recipients of aid under this Regulation during the same financial year or one of the two preceding financial years.

2. Paragraph 1 shall also apply to co-financing operations.

3. However, in cases of co-financing, the participation of third countries in calls for tenders, invitations to tender, and purchasing and other contracts may be allowed only after case-by-case examination by the Committee referred to in Article 11.

Article 8

The Commission shall administer the aid in accordance with the procedures laid down in this Regulation.

Article 9

1. The funds required for the measures provided for in this Regulation shall be fixed by the general budget of the European Communities.

Projects and programmes thus financed shall be carried out on a multiannual basis pursuant to the Financial Regulation applicable to the said budget.

2. Acting on a proposal from the Commission and after consulting the European Parliament, the Council shall determine, in good time before the end of the year, the general guidelines to be applied to aid for the following year.

Article 10

The choice of measures to be financed on the basis of this Regulation shall be made having regard to the

preferences and wishes expressed by the recipient countries concerned.

Article 11

1. A Committee for aid to non-associated developing countries, hereinafter referred to as 'the Committee', shall be set up at the Commission under the chairmanship of a Commission representative and composed of representatives of the Member States.

2. The secretariat of the Committee shall be provided by the Commission.

3. Any rule of procedure for the Committee not laid down in this Regulation shall be decided on by the Council, acting unanimously on a proposal from the Commission.

Article 12

1. The Committee shall deliver an opinion on the draft financing Decisions submitted to it by the Commission.

2. The draft financing Decisions shall be accompanied by a memorandum, the main purpose of which shall be to assess their effectiveness as far as possible by means of an economic and social evaluation relating the results expected from their implementation to the resources to be invested in them.

Article 13

Within one month the Committee shall decide by a qualified majority as laid down in the first indent of Article 148 (2) of the Treaty.

Article 14

1. The draft financing Decisions accompanied by the Committee's opinion, or, in the absence of such an opinion, by the result of the vote of the Committee, shall be submitted to the Commission.

2. If the Committee's opinion is favourable, the Commission shall take decisions which shall be immediately applicable.

3. In the absence of any favourable opinion of the Committee, the Commission may refer the matter to the Council.

If the Commission refers the matter to the Council, the latter, acting by a qualified majority, shall decide at the second meeting following such referral and at the latest within a period of two months.

If the Council approves the draft financing Decision, the Commission shall take decisions which shall be immediately applicable.

If, after its discussions, the Council has not decided by a qualified majority within a period of two months, the Commission may submit a new draft financing Decision to the Committee and shall inform the European Parliament thereof.

Article 15

Once a year the Commission shall, within the framework of the annual review which will be carried out

by the Council in accordance with Article 9, provide the European Parliament and the Council with information on the administration of Community financial and technical aid to non-associated developing countries.

Article 16

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 February 1981.

For the Council

The President

D. F. van der MEI

COUNCIL DECISION OF 19 DECEMBER 1988

DETERMINING THE GENERAL GUIDELINES

FOR 1989 CONCERNING ALA FINANCIAL

AND TECHNICAL COOPERATION

EUROPEAN COMMUNITIES
THE COUNCIL

7976/1/88
REV 1
AIDALA 8
DEVGEN 37

COUNCIL DECISION

OF 19 DECEMBER 1988

**determining general guidelines for 1989
for financial and technical assistance to
Latin American and Asian developing countries**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No. 442/81 of 17 February 1981 on financial and technical aid to non-associated developing countries, (1) and in particular Article 9 (2) thereof,

Having regard to the proposal from the Commission, (2)

Having regard to the opinion of the European Parliament,

Whereas general guidelines should be determined for the administration by the Commission of financial and technical assistance to Latin American and Asian developing countries in 1989;

Whereas at the close of the conference held in Hamburg in February 1988 (San José IV) the Community confirmed its support to the process of democratization in the various countries of Central America.

HAS DECIDED AS FOLLOWS:

1 OJ No L 48, 21.2.1981, p.8.

2 OJ No C 222 of 26.8 1988, p.5

Article 1

Objectives and priorities

Community aid should be concentrated on helping the poorest countries and the neediest sections of the population.

Priority will be given to the rural sector and, in particular, to measures aimed at improving the food situation, as a contribution towards the campaign to combat hunger in the world. Within the rural sector special attention will be paid to production, support services and operations in the sphere of social infrastructure as well as training of farmers and middle-level staff within the projects and programmes which have been adopted. Encouragement will equally be given to small-and medium scale firms in looking for joint-venture operations with Community enterprises.

Support for regional integration efforts will be maintained and strengthened in all sectors in which Community support can make a positive contribution.

Aid will be tailored to the needs and priorities of each country and each region.

In Asia, particular attention will be paid to the need for a transfer of capital, with a view to increasing productive investments, particularly in the rural sector, as well as the need to improve the living standards of the neediest sections of the population.

In Latin America, particular attention will be paid to reducing social disparities, through support for pilot projects to promote land reform efforts and by calling on the potential of rural communities for self-management.

Community aid to Central America at both regional and national level will be given special attention.

Ad hoc training projects may be considered in countries where they constitute a necessary requisite to other activities.

Wherever possible, Community aid will be used to prepare and implement agricultural policies (food strategies) incorporating Community food aid where necessary.

In exceptional circumstances aid may be allocated for infrastructure in least-developed countries where insufficient infrastructure is a constraint for rural development.

Article 2

Budget appropriations

Two separate budget appropriations have been established in 1989 for the implementation of financial and technical cooperation in Asia and in Latin America.

Reserves common to Asia and Latin America will be set up for the specific operations referred to in Article 5: the specified percentage indicated in Article 5 will be used from each of the two budget appropriations.

Article 3

Measures to deal with exceptional circumstances

The part of the aid to be earmarked, pursuant to Article 3 (3) of Regulation (EEC) No. 442/81, to deal with exceptional circumstances, particularly projects which concern reconstruction following disasters, will be limited to a maximum of 10% of the available funds referred to in Article 2, thus making it possible to provide an adequate response to needs which are difficult to forecast.

Article 4

Implementation of aid

Aid shall be granted for projects or programmes, including integrated projects and sectoral programmes, where appropriate, in accordance with Regulation (EEC) No. 442/81 and all other applicable provisions.

The allocation of funds shall take account of:

- The intrinsic value to development and the degree to which intervention corresponds to the priorities of the recipient countries and regions and the needs of the poorest segments of the population;
- the income levels and development needs of the recipient countries, the funding provided in previous years and the experience gained in implementing past aid;
- cooperation agreements concluded with certain recipient countries or groups of recipient countries.

The Commission and the Member States will continue to make strong efforts to increase the volume of cofinancing, particularly between the Community and the Member States as well as other countries and international organizations.

Article 5

Special provisions

The Community shall support agricultural research in Asia and Latin America at all levels. The indicative percentage for international research shall be 3% of the funds referred to in Article 2.

The indicative percentage for the cost of administering the 1989 programme (use of outside experts, provision of specialists) shall be 2% of the funds referred to in Article 2.

For the Council
The President

FINANCIAL STATEMENT

Budget heading: Articles 9300 and 9310

Direct financial implications: None that are new

This communication will serve as a guide for the application of headings 9300 and 9310 of the 1989 budget up to the ceiling of the appropriations entered under those headings by the budgetary authority.

THE 1989 PROGRAMME

DESCRIPTIVE SUMMARIES OF SELECTED PROJECTS

Project N° ALA/89/21

Title: Costa Rica - Strengthening Agrarian Reform and Integrated Rural Development - Phase II.

EEC Contribution: ECU 5 million Total Costs: ECU 9 million
Government Contribution: ECU 4 million

1. The four-year project represents the second phase of project NA 82/12 of the same title to consolidate the actions of the first phase (1983-1989) and expand them to new settlers.
2. The second project aims at improving the socio-economic status of small-scale farmers in four fairly underdeveloped farms in the highlands west of San Jose, while supporting the process of agrarian reform for about 2,000 persons. During the course of the project, its actions and assets will be gradually transferred to a Foundation for the Agricultural Development of the region, a private institution which will ensure the sustainability of the agrarian reform process after the withdrawal of the EEC aid.
3. The EC's contribution of equipment of about ECU 0.3 million will be tendered to Member States and to suppliers from the Central American region, and the technical assistance amounting to about ECU 1 million will be drawn from Member States.
4. The first project's total costs amounted to ECU 26 million to which the EEC contributed ECU 18 million and Government the remainder. The project became operational fairly quickly and managed to reach a high degree of coordination among all interested parties (national and regional organisations, farmers, etc.). The scheduled infrastructure works were completed and the agrarian reform beneficiaries have grouped into an Association. Government could not provide but 50% of new lands to the project but compensated by providing it with existing lands which were basically undeveloped. The agrarian reform component eventually reached about 5,000 persons on 12,000 ha, and the rural development component to the independent sector to about 18,000 persons.

Project N° ALA/89/16

Title: Haiti - Programme of Micro-projects

EEC contribution: ECU 5.5 Million Total Costs: ECU 5.5 Million

1. The aim of the three-year micro-projects programme is to develop the organisational talents of rural and semi-urban communities so as to help them achieve in a short period of time tangible improvements in standards of living and production for a highly deprived population. The programme amplifies and deepens actions of an earlier project (ALA/86/5) begun in 1987 as part of an Interim Emergency Programme, which was badly needed in the difficult political and economic situation then prevailing in the country.
2. The programme is to comprise about 100 micro-projects (productive or social), modest in size but product of a local initiative to be operated by the beneficiaries themselves or by Non-governmental Organizations who enter into agreements with the beneficiaries. The EC's technical assistance (ECU 275,000) advises on the selection of micro-projects and provides organisational and managerial assistance to beneficiaries. The programme requires that identified micro-projects meet criteria for their selection (physical, managerial, viability and replicability). Although there are no readily available data, the experience shows that beneficiaries contribute to their micro-projects beyond what was envisaged, in the form of labour and cash.
3. The predecessor Emergency Programme financed 87 micro-projects, sixty percent of them located in rural areas. The average cost of each action was about US \$ 78,000 of which the EEC financed 70%. The Associations of beneficiaries have functioned effectively. The programme has shown, however, that care must be taken to avoid growing bureaucracies at the national level which take resources from the staff at the field level.

Project N° ALA/89/13

Title : Andean Region (Bolivia, Colombia, Ecuador, Peru and Venezuela)- Monitoring of New Technologies

EEC Contribution : ECU 3.7 Million Total Costs : ECU 5 Million
Governments' contributions : ECU 1.3 Million

1. The three-year project aims at strengthening scientific and technical cooperation in the five Andean countries through the Andean University of Simon Bolivar (UASB) in Sucre and La Paz, Bolivia. UASB was created in 1985 by the Andean parliament as a regional institution to foster the principles of integration and development of the Andean Community in the fields of post-graduate research, education and training.
2. The project has four main components :
 - a. set-up of a transferring capability and mobility of researchers on new technologies (biotechnology, new energies and materials, and information) in the Andean countries;
 - b. technology transfer between the region's Universities and private industries and international organisations specialised in the above domains through seminars, courses, and exchanges of information by informatic networks;
 - c. linking seven Andean Universities/Institutions with UASB (which have been identified as being potential users of such information), and with equivalent European partners; and
 - d. evaluation and analyses of trends in these technologies.
3. The EEC contribution of ECU 3.7 million is largely allocated to cover the project expenses in Europe (technical assistance, seminars, data banks and computerised equipment).

Project N°ALA/89/9

Title: Central American Bank for Economic Integration (BCIE)
Programme to Support the Small - and Medium-scale Industry in
Central America (PAPIC), Phase II.

EEC Contribution: ECU 6 million Total Costs: ECU 15.6 million
Co-financing: Spain ECU 1 million; Sweden ECU 3.8 million; Italy ECU
1 million (In process).
BCIE Contribution: ECU 3.8 million

1. The three-year project (Phase II) continues a credit programme financed by the EEC /Italy(NA/84/14) (Phase I, five-years) aimed at strengthening the activities of the small- and medium-scale industries (SMI) in Central America (manufacturing and agribusiness), as well as the activities of the region's commercial banking and the BCIE. The project provides foreign exchange to new or rehabilitated export-oriented SMIs for the imports of inputs or for plant and equipment necessary for production. The credit programme is of the supervised-type, task carried out by BCIE, which requires feasibility studies for loans for investment. The interest rates paid for by subborrowers carry the commercial terms prevailing in each of the five countries.
2. The project includes technical assistance from European and local sources to support the activities of the subborrowing firms and to strengthen BCIE as a regional development bank in the amount of about ECU 2 million. The purchased inputs and equipment generally must be bought in Europe, with some exceptions. In the predecessor project, 67% of all purchases originated in Europe.
3. This project is complementary to project ALA/89/12 which deals with the establishment of a regional payments system in Central America .

Project N°ALA/89/5

Title: Bangladesh - Post-flood Rehabilitation of Rural Health and Primary Education Infrastructure

EEC Contribution : ECU 18.6 million Total Costs: ECU 18.6 million

1. The two-year project's main objective is to rehabilitate and improve in geographically grouped and easily manageable packages about 74 health centres, 21 rural district hospitals and 329 primary schools. These infrastructures have been deteriorating over the years as a result of poor standards of construction and a continued neglect of maintenance and repairs. Their deterioration was accelerated as a result of two consecutive and serious floods in September 1987 and in September 1988. Thus, the project has an important element of redressing catastrophies. The beneficiaries are about 200,000 school children, and in-patient treatment capacity of 4,000 beds and outpatient capacity for 40,000 people annually. Substantial employment generation is expected through the local contracting of the project's civil works.

2. The design of the reconstruction works is flexible to allow the rehabilitated structures to withstand future floods. EC financing provides for civil works (as they are scattered and relatively small in value, local procurement will take place). In addition, technical assistance amounting to ECU 1 million and ECU 2 million for ambulances will be tendered in Europe.

Project N° ALA/89/2

Title: Peoples Republic of China - Marine Fisheries Development in Fujian Province.

EEC Contribution: ECU 3.8 Million Total Costs: ECU 6.2 Million
Government Contribution: ECU 2.4 Million

1. The three-year project aims at developing the marine fisheries sector off Fujian province. Increased fish catchings and improved resource management are expected by upgrading fishing technologies and by the preparation of fisheries data banks with improved management and analysis.
2. Five fishing vessels will be remodeled and supplied with modern fishing and electronic equipment, and will be used for demonstration and training purposes. Electronic equipment and technical assistance to the Bureau off Aquatic Products would strengthen the management of fish resources off Fujian. The fishing fleet is at present limited to fishing near the shore for lack of adequate equipment and knowhow.
3. The project includes ECU 2 million for technical assistance and ECU 1.2 million for vessel equipment and supplies, tenders for which will be only open to Member States.

Project N° ALA/89/08

Title: Aid to Agricultural Research by Supporting the 1989 Budgets of Six Members of the Consultative Group on International Agricultural Research (CGIAR).

EEC Contribution: ECU 8.5 Million Total Costs: ECU 114.4 Million
Member States Contribution: ECU 19.9 Million
Other Donors' Contribution: ECU 86 Million

1. This programme continues the European Community's contribution to foster growth in the agricultural sectors and in products of interest to ALA countries by partially financing the budgets of six members of CGIAR. CGIAR's Institutes typically specialize in the development of those local crops which have economic potential. Its research is integrated as it deals with all aspects of a crop (genetics, agricultural practices, economics, training, etc). These institutes deal with problems relevant to all developing countries having similar productive structures or climates. Over time, the research programmes are moving away from purely genetic or production problems towards problems of a wider scope (cultivation techniques, environmental/agricultural practices, etc.)
2. The International Centre for Tropical Agriculture in Cali (Colombia) deals with beans, cassava, rice and tropical products. It has five stations in Colombia and another one in Brazil.
3. The International Maize and Wheat Improvement Centre near Mexico City focusses on maize, bread wheat (spring and winter varieties), and triticale. It exchanges varieties of these crops worldwide.
4. The International Potato Centre in Lima develops potato varieties initially grown in cold climates to be able to be grown in tropical climates. It has stations in all continents.
5. The International Crop Research Institute for the semi-arid Tropics in Andhra Pradesh, India, deals with sorghum, millet, chickpeas, pigeonpeas and groundnuts. It operates in eight other semi-arid tropical countries, and exchanges genes with 50 countries.
6. The International Rice Research Institute in Los Baños (Philippines) carries out its own research and coordinates research on rice worldwide. Having succeeded in irrigated rice research, it is turning to the problems of rainfed rice.
7. The International Service for National Agricultural Research (ISNAR) in Amsterdam focusses on the planning, organization and management issues of international agricultural research. It provides support in these areas to national agricultural research systems in about 40 countries.

Project N° ALA/89/03

Title : Junta del Acuerdo de Cartagena (JUNAC) of the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela)-Programme of Consolidation for Agriculture and Industry (CAPI).

EEC Contribution : ECU 7.5 Million Total Costs: ECU 10.5 Million
Governments' Contribution: ECU 3 Million

1. The three-year regional programme (CAPI) is a package of actions of a pre-investment type (consultancies, studies, analyses, recommendations) and of training with the objective of contributing to the regional integration of the five countries in several economic sectors. JUNAC is the institution technico-administrative of the integration of the Andean Pact, which has been supported by the EC since 1977 and with which the EC has signed an Agreement on Economic Cooperation in 1983.
2. The programme CAPI deepens and consolidates earlier EC-financed actions, particularly in the fields of: agriculture and food security (harmonisation of national policies, logistical support, training); industry (harmonisation of policies, support to the capital goods subsector, quality control, norms and metrology); consumer protection and legislation; and technical support to JUNAC and private entrepreneurs. These actions will be carried out through the provision of technical assistance, research, studies, preparation of legislation, seminars, etc.
3. The earlier actions which CAPI consolidates consisted of two tri-annual programmes (Food Strategy and Security, and Industrial Development and Intra-regional Trade) aimed at two priority areas of the Andean integration. The programmes were completed in 1989. The first succeeded in pooling and processing regional information and studies to coordinate food imports and promote production in basic food-stuffs. The second contributed to the reprogramming of sectoral programmes in the metal, petrochemical and mechanical subsectors and strengthened the regional associations of manufacturers.
4. Part of the EC contribution is devoted to European short-term assistance and seminars, local consultants and some equipment.

Project N° ALA/89/01

Title : Bolivia - Programme for Autonomous Rural Development (PAC II)

EEC Contribution : ECU 18.5 Million Total Costs : ECU 23.5 Million
Government Contribution: ECU 5 Million.

1. The five-year programme of actions in the rural sector of Bolivia's Highlands follows an earlier EC-financed project (NA/84/08). The earlier project was in reality a three and one-half years pre-development operation which succeeded in instilling an institutional climate which permitted making contacts with rural communities and training local staff to co-ordinate the productive activities. The project also succeeded in establishing micro-projects between 1986 and 1989 in three regions of the Department of La Paz.
2. The second project will act on the same three regions to consolidate the actions carried out under the predecessor project and to expand activities to reach about 20,000 families in 450 communities. The programme aims at increasing rural incomes and the quality of life mostly through the establishment of productive components (small-scale irrigation, stables, vegetable production and the like), and some social ones (rural roads). The identification of the schemes (micro-projects) is done by the beneficiaries in coordination with project staff who reside in the communities. The second project takes a more selective approach as the credibility of the project and the confidence of the rural communities are favourable. At the institutional level, the project emphasises training of trainers and strengthening the rural associations. The latter exist already but their dimension is now mostly social in nature. The project attempts to add to them some economic dimension. The project is partly made possible by the continuation of decentralized co-management (by the European technical assistance and by the local authorities) and by a substantial apport by European experts to the Development Corporation of La Paz in management and planning.
3. The EC contribution finances, among other items, European technical assistance (amounting to ECU 4.9 million) and project equipment through international tenders (ECU 3.9 million).

Project N'ALA/89/10

Title: India - Rehabilitation of Common Lands in the Aravalli Hills,
State of Haryana

EEC Contribution: ECU 23.2 million Total Costs: ECU 28.8 million
Government Contribution: ECU 5.6 million

1. This eight-year project has the environmental objective of protecting and restoring the green cover in the semi-arid Aravalli Hills which are now subject to strong degradation and hence improve the living conditions of a local population in meeting their subsistence biomass needs in an ecologically sustainable manner. The project area of 33,000 ha of communally-owned land covers about 300 villages populated by about 88,000 persons.
2. The state of Haryana's endowment with natural resources is limited as compared to other states in India. The Aravalli Hills present a clear opportunity to tackle the issues of environmental degradation. The hills belong to the oldest mountain chain in India and have some mining, cropping, settled livestock as well as nomadic livestock. Rainfall is limited and very skewed in its distribution, so large soil losses and degradation occur through flooding. Because of population pressures, overgrazing has destroyed the green cover in the valleys and has moved to the hills. Furthermore, settled agriculturalists allow outside pastoralists to graze in the area in exchange of goods.
3. The project's components are field works (replanting of fuelwood species and fodder, seeding and planting with grasses, silvicultural treatment, contour works and stonewall fencing to control cattle movements); and institution building (training of villagers and especially the involvement of women in the management and protection of the rehabilitated lands, planning of plantings and grazing schedules, and technical assistance). The project is to be coordinated by the Haryana Forest Department and will enforce measures to protect and control the environmental development of the hills.
4. The bulk of the EC contribution finances the on-farm development of the communal lands, and equipment and vehicles (the latter two will be tendered internationally, and amount to ECU 500,000). The European technical assistance is estimated to cost ECU 500,000.
5. The project benefits will occur through sustainable annual production of fuelwood and grasses, and increased soil fertility and moisture retention.

Project N° ALA/90/1

Title: India - Alkaline Land Reclamation and Development Programme

EEC Contribution: ECU 35.5 Million Total Costs: ECU 38.9 Million
Government Contribution: ECU 3.4 million.

1. The seven-year programme aims at improving the income levels of about 15,000 small-scale farm families through increases in agricultural yields on alkaline lands. The project area of 9,000 ha is in the states of Uttar Pradesh and Bihar.
2. The programme responds to India's Five Year Plan (1990-1995) and to one of its key priorities --increased food production to meet a growing population by increasing the fertility of low-productivity land. There are 7 million ha of land in India which are salt-affected, of which 2.5 million ha are considered as alkali (sodic) lands. The high alkalinity results in little or poor crop growth and hence low yields. Reclamation of the alkali soil is a possibility and the technology for doing so has been successfully demonstrated in India. The reclamation consists of treating the land with chemicals, introducing irrigation, drainage, and improved crop varieties.
3. The bulk of the programme's funds will be absorbed by chemicals, irrigation and farm equipment, and seeds, items which will be purchased locally. The component of technical assistance is estimated to cost ECU 760,000. The EC's contribution is in the form of compound fertilizers of European origin (supplied through tenders). The fertilizer is sold throughout India to partially meet the requirements of the individual States. This type of financing meets two objectives : (i) quick disbursements to support deficits in the balance of payments, and (ii) reallocation of domestic financial resources to priority projects, which will follow their normal rythm of implementation (5-7 years).
4. The beneficiaries own on average about 0.7 ha of land and will participate actively in project implementation. Their financial contribution constitutes about one-half of the seasonal input requirements for growing rice or wheat.

Project N°ALA/89/19

Title: India - Bhimtal Integrated Watershed Management

EEC Contribution: ECU 4.4 Million Total Costs: ECU 5.7 Million
Government Contribution: ECU 1.3 Million

1. The seven-year project aims at halting de-forestation and soil erosion by afforestation and other physical agricultural interventions in Bhimtal, in the Komaun hills of the Himalaya side of the state of Uttar Pradesh to enable villagers to meet their needs in fuelwood, fodder and timber from the hills in an ecologically sustainable manner. The project covers an area of 21,000 ha, divided into eight micro watersheds and populated by about 9,000 families (45,000 persons).
2. The hill districts of Uttar Pradesh in the Himalaya foothills makes up an environment of great ecological importance to the plains below by controlling the monsoon floods through the drainage of the major catchment areas, by providing basis for hydropower generation and for controlled irrigation of the whole Ganges plain. The ecological stability of the hills is linked with the interests and life support system not only of the hill population (who derives its subsistence from the environment) but with the population of the plains as well. Most of the project area falls between 40% and 100% slopes, and it is heavily degraded.
3. The project components consist of : (i) afforestation and fodder development; (ii) plantation of suitable crops and cover in rehabilitated terraces; (iii) rehabilitation of existing or planting new ones as substitutes for soil-degrading crops, (iv) promotion of animal husbandry; and (v) pilot demonstration activities. The EC contribution includes European technical assistance estimated to cost about ECU 200,000. The project's expected outputs are fuelwood, leaf fodder, grasses and animal products.
4. The EC's contribution to the project will be in the form of European chemicals which are sold nationwide in India to meet the nation's fertilizer requirements. The domestic currency generated is earmarked to finance the project.

Project No. ALA/89/07

Title: Pakistan - Roads in Tharparker (Province of Sind)

EEC Contribution: ECU 10 million

Total Costs: ECU 10 Million

1. The four-year project's objectives are to facilitate the recovery of the Sind Arid Zone from unbroken years of drought by opening the region to the national road network and to more developed irrigated areas of the region. The project will benefit 650,000 persons in one of the most densely populated arid zones of the world (30 people per sq. km.).
2. The Parker area of the Thar desert (located in the South-East corner of Pakistan) consists of a plain of about 50,000 ha of alluvial deposits where the population is scattered over many small villages. An erratic and scanty rainfall forces a substantial part of the population to migrate temporarily to the irrigated areas and small cities for casual labour. Apart from some educational and health facilities, the whole Thar desert lacks essential infrastructure. Recognising this need, the Government of Pakistan set up the Sind Arid Zone Development Authority (SAZDA) in 1985. The EC project supports SAZDA's efforts to develop the area.
3. The project finances the construction of 200 km of rural roads to provide basic access to the national road network for six towns. Foreign costs of ECU 2.5 million for technical assistance and vehicles will be procured by international tenders. Civil works will be carried out following local tender procedures. The construction methods will be labor intensive and a substantial generation of employment is expected during project implementation. Through the project, the Zone's Development Authority will be strengthened by the technical assistance's support to development planning in general.
4. The directly measurable economic rate of return, estimated to be 8%, derives from the benefit of road-user cost savings and from value-added in agricultural and livestock farming. The unquantified social benefits derive from the population's access to future infrastructure and from the induced generation of new commerce and business.

ALA FINANCIAL AND TECHNICAL CO-OPERATION

SCHEDULE OF PAYMENTS OF COMMITMENTS

BY CALENDAR YEAR - 1977 - 1989

ALA Financial and Technical Cooperation—Schedule of Payment of Commitments by Calendar Year

1977 - 1989

YEAR	ACTUAL COMMITMENTS in MECU	ACTUAL PAYMENTS														TOTAL PAYMENTS	
		1977 MECU %	1978 MECU %	1979 MECU %	1980 MECU %	1981 MECU %	1982 MECU %	1983 MECU %	1984 MECU %	1985 MECU %	1986 MECU %	1987 MECU %	1988 MECU %	1989 MECU %	TOTAL 77-89 MECU	%	
1976	21.0	6.5 31	3.1 15	3.9 18	1.2 6	2.1 10	1.3 6	2.0 9	0.6 3	0.3 1	- -	- -	- -	- -	21.0	100	
1977	43.7	- -	4.6 11	5.5 13	9.8 22	6.8 16	3.2 7	2.8 6	2.7 6	3.2 8	1.8 4	0.9 2	-0.5 -1	1.4 3	42.2	97	
1978	29.7	- -	- -	5.5 19	1.9 6	4.5 15	2.8 9	4.4 15	2.6 9	0.5 2	2.4 8	0.7 2	0.8 3	0.6 2	26.7	90	
1979	117.6	- -	- -	3.7 3	24.3 21	30.5 26	15.3 13	14.5 12	10.1 9	6.8 6	3.5 3	1.3 1	2.5 2	1.4 1	113.9	97	
1980	132.5	- -	- -	- -	1.7 1	41.8 32	28.7 22	15.6 12	13.3 10	7.8 6	8.5 6	1.7 1	-0.3 -	2.0 1	120.8	91	
1981	153.5	- -	- -	- -	- -	1.9 1	12.3 8	52.1 34	10.0 7	16.6 11	8.5 8	7.7 5	6.8 4	8.0 5	123.9	81	
1982	134.7	- -	- -	- -	- -	- -	3.3 2	8.7 6	31.8 24	19.8 15	21.1 16	10.0 7	10.8 8	11.6 9	117.1	87	
1983	227.4	- -	- -	- -	- -	- -	- -	28.6 12	67.4 30	35.5 15	19.6 9	13.1 6	13.6 6	5.2 2	183.0	80	
1984	249.3	- -	- -	- -	- -	- -	- -	- -	7.7 3	55.1 22	59.0 24	21.6 9	20.7 8	22.5 9	186.6	75	
1985	149.7	- -	- -	- -	- -	- -	- -	- -	- -	2.8 2	27.1 18	18.9 12	19.8 13	11.3 8	79.9	53	
1986	268.6	- -	- -	- -	- -	- -	- -	- -	- -	- -	20.7 8	64.8 24	42.7 16	28.0 10	156.2	58	
1987	342.9	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	13.6 4	36.7 11	32.9 9	83.2	24	
1988	264.0	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	9.1 3	33.4 13	42.5	16	
1989	283.0	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	11.3 4	11.3	4	
TOTAL	2,417.6	6.5 -	7.7 -	18.6 -	38.9 -	87.6 -	66.9 -	128.7 -	146.2 -	148.4 -	172.2 -	154.3 -	162.7 -	169.6 -	1,308.3	54	

Total commitments MECU 2,417.6

Total payments MECU 1,308.3

Undisbursed commitm. MECU 1,109.3

Annex V

LIST OF NORMAL PROJECTS COMPLETED IN 1989

List of Normal Projects Completed in 1989

Annex V

Year and number of operation	Recipient and title of operation	Sector	Total cost of project (million ECU)	Type of financing	EEC Contribution	EEC payments at 31.12.89
Sub-tot.	LAT.AMERICA		110.26	48.76	61.50(+3.84)	64.05
NA/77/17	BCIE Regional Grain Storage	Agriculture (storage)	18.80	cofi - nancing 17.00 BCIE	1.80	1.77
NA/79/21	Haiti Area Develop Southern Peninsula	Integrated area development	8.00	cofi - nancing 3.00 IDB	5.00(+1.00)	5.83
NA/79/24	Bolivia Cochabamba irrigation	Agriculture (irrigation & drainage)	8.80	cofi - nancing 6.80 D	2.00	2.00
NA/80/03	Nicaragua Rural Sect. Tech.Assist	Rural production	3.40	cofi - nancing 0.60 F	2.80(+0.16)	2.92
NA/82/4	Andean Pact Energy Cooperation	Energy	0.66	autono- mous 0.16	0.50(+0.10)	0.58
NA/82/2	Costa Rica Agrarian Reform and Integrated Rural Devlp	Integrated area development	25.80	autono- mous 7.80	18.00	17.77
NA/82/15	Dominican Republic Agrarian Reform and Integrated Rural Devlp	Integrated area development	13.60	autono- mous 1.60	12.00	11.41
NA/83/1	Nicaragua Integrated Regional in Waslala	Integrated rural development	7.70	autono- mous 4.20	3.50	3.33
NA/84/5	Bolivia Reconstruct	Infrastruc. reconstruc.	4.00	auton. 0.60	3.40(+0.68)	4.08
NA/84/8	Bolivia Rural Micro projects	Food production	19.50	autono- mous 7.00	12.50(+1.90)	14.36

List of Normal Projects Completed in 1989

Annex V

Year and number of operation	Recipient and title of operation	Sector	Total cost of project (million ECU)	Type of financing	EEC Contribution	EEC payments at 31.12.89
Sub-tot.	ASIA		209.17	126.12	83.05	81.69
NA/81/6	Birmanie Pump Irrigation	agriculture (irrigation)	33.00	cofi - nancing 27.50 ADB	5.50	5.49
NA/81/14	Indonesia Bali Irri - gation	Agriculture (irrigation)	99.60	cofi - nancing 87.60 ADB	12.00	12.00
NA/83/15	Thailand Cashew Development	Agricul - tural production	1.92	autono - mous 0.62	1.30	1.29
ALA86/6	India Integrated Watershed Management	Irrigation and drainage	56.00	autono - mous 10.40	45.60	44.91
ALA88/18	India Agricultural Markets in Kerala	Rural development	18.65	autono - mous -	18.65	18.00
TOTAL	Latin Ameri - ca and Asia	---	319.43	174.88	144.55(+3.84)	145.74

+ = Supplementary provisions

SHORT-TERM STUDIES

CARRIED OUT DURING 1989

ANNEX VI

SHORT-TERM STUDIES CARRIED OUT DURING 1989 (ECU'000)

RECIPIENT	TITLE	COMMITMENTS			PARTNER
		Asia	L.A.	Total	
Thailand	Manioc Study	245.1		245.1	Townend
Bangladesh	Flood Control	42.0		42.0	Facini/Jones
Bhutan	Tender Evaluat.	4.7		4.7	Cavanillas
PVD-ALA	TEN YEAR REPORT (1*)	2.0	1.0	3.0	Dricot
PVD-ALA	TEN YEAR REPORT (2*)	2.2	1.0	3.2	Retout Olivier
Nepal	International Forest Science Consultancy	35.6		35.6	I.F.S. Nepal
Bangladesh	Flood Control	94.6		94.6	Jones
Bangladesh	Food Policy	34.0		34.0	Relief & Development Institute
Thailand	Tender Evaluation	5.2		5.2	Cavanillas
India	L.C. Framework	2.0		2.0	Local advertising
PVD-ALA	Technical Assist.	12.0	5.8	17.9	J.P. Geeraert
PVD-ALA	Conseil Report	4.4	2.1	6.5	Leclerc
Cent.Amer.	Consejo Monetario Centroam.(C.M.C.A.)		20.0	20.0	C.M.C.A
PVD-ALA Haiti/Dom. Republic	Temporary Services Study Missions	117.0	63.0	180.0	D.G.I
			<u>13.3</u>	<u>13.3</u>	Bruel
	SUBTOTAL	600.9	106.2	707.1	
Framework Contracts		611.0	329.0	940.0	SETA DOMAINE A
		845.0	455.0	1300.0	DANGROUP - DOMAINE A
		19.5	10.5	30.0	SEMA-METRA DOMAINE B
		<u>19.5</u>	<u>10.5</u>	<u>30.0</u>	BONIFICA- DOMAINE C
	SUBTOTAL	1495.0	805.0	2300.0	
	T O T A L	2095.9	911.2	3007.1	

SUMMARY OF BASIC CHARACTERISTICS

OF

EVALUATED PROJECTS

SUMMARY OF BASIC CHARACTERISTICS OF EVALUATED PROJECTS

BENEFICIARY COUNTRY	PROJECT NUMBER	PROJECT TITLE AND TYPE	TOTAL BUDGET	EEC CONTRIBUTION	PROJECT DURATION
BANGLADESH	NA 79/3	Emergency Food Grain Storage	ECU 8 mio.	ECU 8 mio. as grant	5 years
BANGLADESH	NA 82/1	Construction of Fertilizer Godowns	ECU 4 mio.	ECU 4 mio. as grant	3 years
INDIA	NA 80/5B	Soyabean Development in Madhya Pradesh	ECU 25.6 mio.	ECU 12.8 mio.	5 years
INDIA	NA 80/5C	Soyabean Development in Uttar Pradesh	ECU 37 mio.	ECU 3.7 mio. as grant	5 years
INDONESIA	NA 81/14	Bali Irrigation Sector	ECU 99.6 mio. (ECU 42.5 donor tot.)	ECU 12 mio. as grant	7 years
SRI LANKA	NA 77/5	Mahaweli Ganga Devel. Project System H	US\$ 46 mio. (6 donor total)	US\$ 2.2 mio. as grant	7 years
SRI LANKA	NA 80/10	Integrated Rural Develop., Zone 2 Mahaweli Ganga	ECU 22.2 mio.	ECU 15.4 mio. as grant	4 years
BOLIVIA	NA 77/15	Integrated Rural Devel. Ulla-Ulla	US\$ 24 mio. (w/IBRD & IDA)	US\$ 2 mio.	9 years (terminated)
BOLIVIA	NA 83/7 & 958/84 Bol - 1	Rural Microprojects Food Production & Environ. Protect.	ECU 30 mio. (w/Bol.addit.contr)	ECU 30 mio. as grant	4 years (& new project)

PROJECT ATTRIBUTES	PROJECT CASES		
	1. EMERGENCY FOOD GRAIN STORAGE: BANGLADESH (NA 79/3)	2. CONSTRUCTION OF FERTILIZER GODOWNS: BANGLADESH (NA 82/1)	3. SOYABEAN DEVELOPMENT IN MADHYA PRADESH: INDIA (NA 80/58)
1. FRAMEWORK CONDITIONS	<ul style="list-style-type: none"> * Adequate linkage to sector policy (but policy not clear/consistent). * Government dept. implementation, w/int'l & local consultants, local contractors. (Self-admin. of EEC support) 	<ul style="list-style-type: none"> * Appropriate linkage to tangible objectives of sector policy (which later changed). * Sector parastatal as executing agency, with int'l & local consultants, local contractors (Dutch admin.) 	<ul style="list-style-type: none"> * Sound linkage to sector policy * Coop. Devel. parastatal sponsor; impl. by state oil coop. parastatal with growers coops. participation. (Limited EEC project supervision).
2. PROJECT OBJECTIVES	<ul style="list-style-type: none"> * Construction of 48,000 t of foodgrain godown capacity * Increased food security & more effective general performance of gov./nat. food system. 	<ul style="list-style-type: none"> * Construction of 18,000 t of fertilizer godown capacity. * Increased use of fertilizers & increased foodgrain production income, esp. for small farmers. 	<ul style="list-style-type: none"> * Construction of 4 processing plants & 1 veg. oil refinery. * Expansion of coop. movement, soyabean production & farmer income; import substitution.
3. PREPARATION PHASE ACTIVITIES	<ul style="list-style-type: none"> * Limited EEC appraisal analysis; project based on FAO/GOB nat. strategy & int'l consultant TA for detailed planning. 	<ul style="list-style-type: none"> * No new feasibility or in-depth appraisal studies. (Project continued Dutch programme as part of national plan). * Substantial (but uncritical) coop. w/govt. & donor agencies. 	<ul style="list-style-type: none"> * Feasibility studies by parastatal, gross under-estimates of constr. costs. * EEC appraisal work limited, based on success record of participating institutions.
4. IMPLEMENTATION PROCESS	<ul style="list-style-type: none"> * Physical implementation troubled by numerous problems & delays. * Project completed only after extensions from 30 to 60 months. 	<ul style="list-style-type: none"> * Physical implementation timely and largely trouble-free. * Project completed on time by using effective measures for contractor supervision & project administration. 	<ul style="list-style-type: none"> * Processing plant target reduced from 4 to 2 units. * Project completed with limited delays, and only sporadic EEC monitoring.
5. TANGIBLE RESULTS/OUTPUTS	<ul style="list-style-type: none"> * Targeted construction of 49 godowns at 12 sites achieved, but with numerous important qualitative defects. 	<ul style="list-style-type: none"> * All physical works completed as planned, with only limited qualitative deficiencies. * Careful selection of consultants & selection/control of contractors. 	<ul style="list-style-type: none"> * Processing plants & refinery successfully constructed/operational. * Soyabean prod. increased adequately w/price supports. * Coop. memberships expanded.
6. PROJECT FINANCE	<ul style="list-style-type: none"> * EEC grant of ECU 8 mio was adequate to cover all planned project activities, but financial admin. by GOB organizations was generally weak/untimely. 	<ul style="list-style-type: none"> * Joint co-financing with Dutch. * EEC grant of ECU 2 mio; proj. tot. ECU 4 mio * Financial admin. good; project completed within budget. 	<ul style="list-style-type: none"> * EEC grant (from counterpart fund) of ECU 12.8 mio as 50% co-financing w/Indian Govt. * Unrealistic orig. estimates; GOI paid difference; targets reduced.
7. IMPACT SOCIAL & INSTITUTIONAL	<ul style="list-style-type: none"> * Emergency food security much increased in project areas, but normal food system-functioning badly "tilted" away from-rural poor. * Govt. grain-handling capacity expanded. 	<ul style="list-style-type: none"> * Fertilizer use & food production increased in project area. * However, smaller & more marginal farmers' benefits probably less than proportional. 	<ul style="list-style-type: none"> * Farmer production/income up. * Coop. producer & processing institutions strengthened * Farmer coops increased from 28 to 1041 units.
8. IMPACT ECONOMIC & OTHER	<ul style="list-style-type: none"> * Aggregate local economic impact significant, but ec. benefits to rural (& urban) poor appear limited. * Macro-economic effects of nat. food system poorly analyzed/disputed. 	<ul style="list-style-type: none"> * As above, aggregate economic impact substantial, but skewed to more prosperous farmers/dealers. * Technical fertilizer handling capacities of BADC strengthened. 	<ul style="list-style-type: none"> * Soyabean producer/processor income increased substantially. * Plants operate well above breakeven point, but but remain sensitive to govt. price/import policy
9. SUSTAINABILITY PROBABILITY & PROBLEMATIC FACTORS	<ul style="list-style-type: none"> * Sustainability of basic emergency food security benefits assured. * Sustainability of functioning of nat. food system at risk due to policy/institutional weaknesses. 	<ul style="list-style-type: none"> * Sustainability in serious jeopardy due to policy shift to privatization of fertilizer distribution system; could make project godowns redundant. 	<ul style="list-style-type: none"> * Producer/processor insts. highly sustainable, but, govt. price/import policies require continuing adjustment to support overall scheme.
10. CONCLUSIONS: GLOBAL ASSESSMENT OF PROJECT SUCCESS	<ul style="list-style-type: none"> * Project adequately successful relative to physical & food security objectives; but contribution to improvement of nat. food system limited by external factors. 	<ul style="list-style-type: none"> * Project highly successful relative to physical and aggregate impact objectives, but sustainability at risk pending policy uncertainties. 	<ul style="list-style-type: none"> * Project exceptionally successful relative to replanned objectives, but full sustainability dependent on future government policy support.

PROJECT ATTRIBUTES	PROJECT CASES		
	4. SOYABEAN DEVELOPMENT IN UTTAR PRADESH INDIA (NA 80/58)	5. BALI IRRIGATION SECTOR INDONESIA: (NA 81/14)	6. MAHAMELI GANGA DEVELOPMENT PROJECT SYSTEM H: SRI LANKA (NA 77/5)
1. FRAMEWORK CONDITIONS	<ul style="list-style-type: none"> Adequate linkage to sector policy Coop. development parastatal sponsor; impl. by non-specialized coop. parastatal w/local contractor & coops. participation (EEC Administration). 	<ul style="list-style-type: none"> Sound linkage to sector policy. Government dept. sponsorship; impl. by government project org. & int'l/local consultants, local contractors. (ADB project administration). 	<ul style="list-style-type: none"> Direct linkage to basically sound government regional development strategy. Implementation by Progr. Authority w/labor inputs by beneficiaries.
2. PROJECT OBJECTIVES	<ul style="list-style-type: none"> Construction of advanced techn. processing units (soya, oil, flour, etc.) Expansion of coop. movement, soyabean production & farmer income; import substitution, etc. 	<ul style="list-style-type: none"> Rehabilitation of 75 village irrigation Schemes. Major increases in cropping intensities rice production, farmer income. 	<ul style="list-style-type: none"> Settlement of 15,300 families on uniform sized, irrigated plots. Provision of complement, physical & social infrastructure. Adequate ag. prod. & family income.
3. PREPARATION PHASE ACTIVITIES	<ul style="list-style-type: none"> Feasibility studies by parastatal, many project design defects. EEC appraisal work limited. 	<ul style="list-style-type: none"> Systematic feasibility & appraisal studies by ADB & consultants. Close preparatory coop. with GOI & existing project organization. 	<ul style="list-style-type: none"> Project adopted IBRD & Authority preparatory studies & plans. "Acceleration" policy caused movement to Programme Phase II (the proj.) w/ adequate analysis.
4. IMPLEMENTATION PROCESS	<ul style="list-style-type: none"> 1st & replacement construction contractors unsuccessful; plant mgt. completed start-up process. Project only completed after significant delays & multiple problems. 	<ul style="list-style-type: none"> Number of village subprojects increased by 50% during implementation. Project duration extended from 5 to 7 years. 	<ul style="list-style-type: none"> Project shortened from 5 to 3 years, but some construction completions much delayed. Project mgt. had continuing problems coping w/accelerated effort.
5. TANGIBLE RESULTS/ OUTPUTS	<ul style="list-style-type: none"> Processing units/plant nominally completed but continuing technical problems. Soyabean prod. targets only 50% achieved, coop. expansions limited. Supplies to plant unsewed, etc. 	<ul style="list-style-type: none"> All physical works completed as planned, but with numerous qualitative deficiencies. Significant problems in engring. designs & on-site constr. supervision. 	<ul style="list-style-type: none"> Irrigation services functioning & agricult. production adequate overall; farmers settled on time. Some civil works substandard quality (due to "acceleration").
6. PROJECT FINANCE.	<ul style="list-style-type: none"> EEC grant (from counterpart funds) of ECU 3.7 mio. as 10% co-financing w/Indian Govt. Serious cost overruns due to delays in plant operation, etc. 	<ul style="list-style-type: none"> Joint co-financing with ADB & GOI. EEC grant ECU 12 mio., project to be completed within budget. 	<ul style="list-style-type: none"> Joint co-financing with GSL and 6 other donors. EEC grant US\$ 2.2 mio. of \$ 46 mio. donor total. Project completed within budget.
7. IMPACT: SOCIAL & INSTITUTIONAL.	<ul style="list-style-type: none"> Farmer benefits slight; coop. institutions expansions/strengthening minor. Pilot advanced technology effects minimal to-date due to plant constr./ops problems 	<ul style="list-style-type: none"> Farmer benefits probably less than planned, but more than adequate to justify project. Government inst. development impact limited. 	<ul style="list-style-type: none"> Wide disparities of farmer production & income (25% at subsistence). Community instit. development limited. Aggregate prosperity has generated service sector & job opportunities.
8. IMPACT ECONOMIC & OTHER	<ul style="list-style-type: none"> Farmer income benefits not fully dependent on project facilities, but remain limited. Plant still has not reached breakeven; rehabilitation & training needed. 	<ul style="list-style-type: none"> Aggregate economic impact on Bali region substantial. Ecological impact likely to be nearly neutral. 	<ul style="list-style-type: none"> Economic benefits to most settlers substantial, but poor minority indebted and require more help. Inadequate environment protection & fuel-wood.
9. SUSTAINABILITY PROBABILITY & PROBLEMATIC FACTORS	<ul style="list-style-type: none"> Overall sustainability doubtful. Even if processing problems are overcome, small base of suppliers & high cost of inputs relative to outputs make final viability unlikely. 	<ul style="list-style-type: none"> Sustainability in jeopardy, due to limited socio-cultural adaptiveness, govt. org. capacity weaknesses, policy confusions, inadequate financial arrangements. 	<ul style="list-style-type: none"> Settlement, agriculture & infrastructure results sustainable. Population pressure risks 2nd. generation joblessness & ecological damage.
10. CONCLUSIONS: GLOBAL ASSESSMENT OF PROJECT SUCCESS	<ul style="list-style-type: none"> Project unsuccessful without substantial new efforts for plant rehabilitation, improved coop. support services, favourable government pricing policies, etc. 	<ul style="list-style-type: none"> Project largely successful relative to output & impact objectives, but sustainability requires major additional efforts. 	<ul style="list-style-type: none"> Project success good relative to key settlement, agric. & infrastruct. targets, but aftercare needed for income diffs, jobs, environment, etc.

PROJECT ATTRIBUTES	PROJECT CASES		
	7. MAHAWELI GANGA PROJECT ZONE 2 SRI LANKA (NA 80/10)	8. INTEGRATED RURAL DEVELOPMENT ULLA-ULLA: BOLIVIA (NA 77/15)	9. RURAL MICROPROJECTS: BOLIVIA (958/84 & NA 83/7)
1. FRAMEWORK CONDITIONS	<ul style="list-style-type: none"> • Direct linkage to basically sound government regional development strategy. • Implementation by Prog. Authority w/labor inputs by beneficiaries. (Project supervision/admin. by EEC) 	<ul style="list-style-type: none"> • Sector & regional policies faulty, project linkage ill-defined, unforeseen econ. crisis • Implementation by new government agency, w/limited TA & local org. participation (IBRD project administration). 	<ul style="list-style-type: none"> • Strategy revised from emergency to top govt. priority rural development programme • Implementation by 2 regional parastatals & 2 project organizations w/TA & local particip. (EEC project supervision).
2. PROJECT OBJECTIVES	<ul style="list-style-type: none"> • Settlement of 4,500 families on uniform sized, irrigated plots. • Provision of complement. physical & social infrastructures. • Adequate ag. production & family income. 	<ul style="list-style-type: none"> • Construction of local infrastruct. & process. facilities; increased production of alpaca/llama. • Increased rural development & income/well being of rural population. 	<ul style="list-style-type: none"> • Initially: emerg. water supply & constr. of secondary/feeder roads. • Later: Increased food crop & livestock production, physical & social infrastructures, general rural development.
3. PREPARATION PHASE ACTIVITIES	<ul style="list-style-type: none"> • Project adopted Authority implementation plan w/o independent studies. • "Acceleration" policy caused movement to Programme Phase II (the project) w/o adequate analysis. 	<ul style="list-style-type: none"> • IBDR feasibility/appraisal studies lacked "base-line" data & analysis of project area. • No important/independent EEC project preparation studies. 	<ul style="list-style-type: none"> • EEC pre-programming mission did initial project analysis, followed by project ident. & project prep. missions; adequate base-line studies not conducted.
4. IMPLEMENTATION PROCESS	<ul style="list-style-type: none"> • Most project activities finished on time, but irrigation delayed due to external causes. • Civil works given 1st priority; community development under-emphasized. 	<ul style="list-style-type: none"> • Implementation erratic & incomplete, due to lack of org. capacity & local support, etc. • Project frequently extended, then terminated after almost 10 years. 	<ul style="list-style-type: none"> • Project used flexible, exploratory approach well-adapted to local conditions & information gaps. • All major objectives reached within time & cost limits.
5. TANGIBLE RESULTS/OUTPUTS	<ul style="list-style-type: none"> • Physical construction targets reached. • Rice production at adequate levels, but post-harvest losses high. • Most settler housing still sub-standard. 	<ul style="list-style-type: none"> • Construction and production targets mostly unachieved. • Some limited successes in vicuna conservation, road & classroom construction, water supply. 	<ul style="list-style-type: none"> • Exact physical results unknown, but almost 3,000 units of infrastructure (bldgs. wells, etc.) were produced of acceptable quality. • Crop/livestock production increased.
6. PROJECT FINANCE.	<ul style="list-style-type: none"> • Co-financing with Government Authority. EEC grant & counterpart fund totalling ECU 15.4 mio (of ECU 22.2 mio. total). • Project completed within budget. 	<ul style="list-style-type: none"> • Joint-cofinancing with IBRD, IDA, GOB. EEC grant US\$ 2 mio. of proj. \$24 mio. total. • Disbursements very slow, financial mgt: very weak. 	<ul style="list-style-type: none"> • EEC grant of ECU 30 mio. in cofinancing w/Bolivian Government. • Project required financial adjustments to compensate for parastatal financial short-falls.
7. IMPACT: SOCIAL & INSTITUTIONAL.	<ul style="list-style-type: none"> • Wide disparities of farmer production & income; (30% at subsistence). • Community institution development limited. • Lack of adequate opportunities for 2nd generation settlers. 	<ul style="list-style-type: none"> • Benefits to local population very limited, mainly temporary. • Implementing agency not strengthened, but some local organizations equipped with limited new capacity. 	<ul style="list-style-type: none"> • Significant near-term benefits to rural population (new skills, facilities, org. capacity, production & income increases). • Project organizations & local institutions substantially strengthened, expanded.
8. IMPACT ECONOMIC & OTHER	<ul style="list-style-type: none"> • Majority of settlers have achieved reasonable standard of living; poor minority require more help. • Inadequate environment protection & fuel-wood supply. 	<ul style="list-style-type: none"> • Economic impacts minimal in aggregate & beneficiary terms. • Technological & environmental impacts negligible. 	<ul style="list-style-type: none"> • Near-term regional & farmer income increased, jobs created. • Agricult., infrastruct. and technical capacities in project areas increased; spread effects underway.
9. SUSTAINABILITY PROBABILITY & PROBLEMATIC FACTORS	<ul style="list-style-type: none"> • Settlement, agriculture & infrastructure results sustainable. • Excess population density risks mass 2nd generation joblessness and grave ecological damage. 	<ul style="list-style-type: none"> • Sustainability of very limited benefits produced is unlikely, due to weak policy, financial and institutional & local project support. 	<ul style="list-style-type: none"> • Beneficiary organization & project infrastructures appear sustainable, but project organizations & parastatals face uncertainties due to very weak finances.
10. CONCLUSIONS: GLOBAL ASSESSMENT OF PROJECT SUCCESS	<ul style="list-style-type: none"> • Project adequately successful relative to key settlement, agric. & infrastructural targets, but requires aftercare for environ., jobs, community developm., etc. 	<ul style="list-style-type: none"> • Project was clearly a failure, due to poor planning, weak execution, inadequate monitoring/supervision & over-ambitious objectives, etc. 	<ul style="list-style-type: none"> • Project very successful relative to output & impact objectives, but follow-up project must solve key sustainability issues. • Beneficiary support outstanding.